



# Joint Evaluation of Budget Support to Uganda

## Final Report

### Volume 1 May 2015

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***The opinions expressed in this document represent the views of the evaluation team, which do not necessarily represent official views of the European Commission, IEG or the authorities of the countries involved.***

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### List of acronyms and abbreviations

AHSPR	Annual Health Sector Performance Reports
ALD	Aid Liaison Department
BFP	Budget Framework Paper
BoP	Balance of Payments
BS	Budget Support
CBM	Community Based Maintenance
CEF	Comprehensive Evaluation Framework
CIFA	Country Integrated Fiduciary Assessment
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organisations
OECD-DAC	Organisation for Economic Co-operation and Development - Development Assistance Committee
DG DEVCO	Directorate General Development and Cooperation (European Union)
DFID	Department for International Development
DLGs	District Local Governments
DP	Development Partner
DWD	Department of Water Development
DWO	District Water Office
DWSDCG	District Water and Sanitation Development Conditional Grant
EFA	Education for All

EFMP	Economic and Financial Management Project
EMIS	Education Management Information System
EPRC	Economic Policy Research Center
EQ	Evaluation Question
ESSP	Education Sector Strategic Plan
EU	European Union
FINMAP	Financial Management and Accountability Programme
FY	Fiscal Year
GAPR	Government Annual Performance Report
GBS	General Budget Support
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GHI	Global Health Initiatives
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GoU	Government of Uganda
HIPC	Heavily Indebted Poor Countries
HLAM	High Level Action Matrix
HMC	Health Management Committee
HQ	Headquarters
HSBS	Health Sector Budget Support
HSSIP	Health Sector Strategic and Investment plan
HSSP	Health Sector Strategic Plan
ICR	Implementation Completion Report
IEG	Independent Evaluation Group (World Bank)
IFMIS	Integrated Financial Management Information System
IGG	Inspectorate General of Government
IL	Intervention Logic
IMF	International Monetary Fund
JAF	Joint Assessment Framework
JBS	Joint Budget Support
JBSF	Joint Budget Support Framework
JICA	Japan International Cooperation Agency
JPF	Joint Partnership Fund
JWSSP	Joint Water and Sanitation Sector Programme Support
LG	Local Government
LGDP	Local Government Development Project
MDAs	Ministries, Departments, and Agencies
MDG	Millenium Development Goals
MG	Management Group

MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoH	Ministry of Health
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MWE	Ministry of Water and Environment
NDP	National Development Plan
NER	Net Enrolment Ratio
NGO	Non-Governmental Organisation
NHP	National Health Policy
NPA	National Planning Authority
NSA	Non-State Actors
OAG	Office of the Auditor General
ODA	Official Development Assistance
OPM	Office of the Prime Minister
PAF	Poverty Action Fund
PE	Public Expenditure
PEAP	Poverty Eradication Action Plan
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFAA	Public Finance and Accountability Act
PFM	Public Financial Management
PLE	Primary Leaving Examinations
PNFP	Private Non-for Profit
PRSC	Poverty Reduction Support Credit
QEI	Quality Enhancement Initiative
RG	Reference Group
RGC	Rural Growth Centre
SBS	Sector Budget Support
SIP	Sector Investment Plan
SSA	Sub-Saharan Africa
ST	Small Town
SWAp	Sector-Wide Approach
SWG	Sector Working Group
TA	Technical Assistance
TASU	Technical and Administration Support Unit
ToR	Terms of Reference
TSU	Technical Support Unit
UBOS	Uganda Bureau of Statistics

UDHS	Uganda Demographic and Health Survey
UJAS	Uganda Joint Assistance Strategy Paper
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNMHCP	Uganda National Minimum Health Care Package
UPE	Universal Primary Education
UPPET	Universal Post Primary Education and Training
USAID	United States Agency for International Development
USE	Universal Secondary Education
USF	Uganda Sanitation Fund programme
USh	Uganda Shillings
UWASNET	Uganda Water and Sanitation NGO Network
VAT	Value Added Tax
VfM	Value for Money
WB	World Bank
WESPR	Water and Environment Sector Progress Reports
WSDF	Water and Sanitation Development Facility
WSDF-SW	Water and Sanitation Development Facility-South West
WSP	Water and Sanitation Programme

### Fiscal year and Exchange rates

The fiscal year (FY) in Uganda runs from July 1<sup>st</sup> to June 30<sup>th</sup>.

*Table 1 Exchange rates over the evaluation period*

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EUR/Ush	2414.9	2281.5	2157.1	2304.3	2471.3	2715.4	2735.2	3008.2	3181.9	3508.5	3423.2
USD/Ush	1932.6	1677.1	1824.2	1749.0	1682.1	1926.1	1907.6	2265.2	2468.7	2661.4	2483.7

*Source: EU DG Budget; exchange rates for January of the given year.*



## Executive Summary

### Objective, scope and method of the evaluation

The main objective of this evaluation is to assess to what extent the General Budget Support (GBS) and Sector Budget Support (SBS) in Uganda contributed to the expected results by giving means to the partner government to implement its national / sector strategies, and to enhance the efficiency and effectiveness of its policies, strategies, and spending actions. The evaluation also analyses how GBS and SBS have contributed (or not) to improved transparency within government systems and stronger accountability.

The evaluation covers 10 years of all development partners' Budget Support (BS) operations to Uganda, from 2004 until 2013. This covers three distinct periods in the evolution of BS to Uganda: i) pre-JBSF<sup>1</sup> period (2004-2008); ii) JBSF period (2009-2012); and iii) the High-Level Action Matrix (HLAM) period (2013). With specific reference to World Bank (WB) budget support, which had accounted for a substantial share of the overall BS, the evaluation includes the Poverty Reduction Support Credits (PRSCs) over the period of analysis.<sup>2</sup>

### Context

Uganda experienced robust economic growth over the last decade, resulting in steady gains in per capita income. Growth has been accompanied by significant poverty reduction, although poverty and vulnerability remain high. Important gains were achieved in access to basic education, health, and water and sanitation. Uganda, however, continues to experience very high rates of demographic growth, among the highest in the world at 3.3 percent per year, which makes further poverty reduction and service delivery more difficult.

In 1998, the government introduced Poverty Eradication Action Plan (PEAP) framework as the Government's overarching policy planning framework. Then, in 2010, the Government developed an ambitious new vision, aiming to achieve middle-income status for the country within 30 years. The National Development Plan 2010-2015 entails a significant shift in emphasis towards economic infrastructure, linked to the discovery of oil, gas and minerals. Social services sectors—which have been the long-standing focus of the Government's policies and external donor support—including education, health, and water and sanitation, assumed secondary priority.

Uganda has traditionally received large amounts of international aid in the form of BS. Total BS decreased substantially from a high of almost USD 700 million in FY06/07 to well below USD 100 million as of FY12/13. Of the twelve BS partners, the World Bank was the biggest contributor with USD 1.2 billion followed by the UK and the EU who provided USD 480 million and USD 290 million respectively.

Against this backdrop, in recent years, the donors reduced their engagement and volumes of BS in response in part because of diverging objectives from the government's. On the one hand, the government increasingly emphasized productive sectors and infrastructure investments to support long-term growth and poverty reduction. On the other, it significantly expanded the administrative and other politically driven expenditure. Such new priorities, given the low and stagnant domestic revenue mobilisation (at about 13 percent of GDP) have been funded partly at the expense of additional investments in the social sectors. The donors for their part continued to focus their BS operations on social sectors.<sup>3</sup> They also initiated a wide dialogue on political and principle issues with the government. These developments and several corruption episodes resulted in the gradual erosion of trust between the donors and the government and the temporary secession of budget support in 2012.

<sup>1</sup> The Joint Budget Support Framework (JBSF), launched in 2008, brought budget support partners into a single system for performance monitoring and policy dialogue.

<sup>2</sup> This joint evaluation report does not single out specific donor budget support but treats all donor budget support as one, joint modality. By contrast, the evaluation of the World Bank's PRSCs in this period has been undertaken in parallel by the IEG in a separate, Project Performance Assessment Review (PPAR) (World Bank 2015).

<sup>3</sup> The World Bank aligned its strategy to the Government and supported its objectives in financing infrastructure through investment projects, in addition to providing reduced volumes of budget support. The EU has also provided significant support to the productive sectors; transport and agriculture / rural development constituted key pillars of the intervention strategy over the whole evaluation period, although in these areas support was provided in the form of programme aid rather than budget support.

In 2013, in the context of the High-Level Action Matrix (HLAM) agreed with the donors to address the corruption and governance concerns, the Government took important corrective actions. On that basis, some donors restarted engagement but in more reduced scope and volumes than before. However, there remain fundamental questions about the direction, scope and content of future BS, Government-Donors partnership and policy dialogue, mix of support modalities, and sectoral priorities.

This report evaluates all BS to Uganda during 2004-13 period with the view to providing not only a comprehensive retrospective assessment but also lessons and recommendations for the future.

## Methodology

The methodology applied in this evaluation follows the 3-Step approach as established in the OECD-DAC guidelines and elaborated in the Inception Report (2014) of this evaluation. Some integrations of the standard methodology have been introduced, however, along two main lines: (i) as the evaluation is executed by a joint IEG-EU team, data and analytical approaches to different questions, field visits and surveys have all benefitted from combined and closely coordinated efforts of the two institutions involved, and adjustments of the approach have been introduced to ensure that the evaluation report is compatible with the methodological standards of both; (ii) since the evaluation occurs in a process of review of the 3-Step methodology, some ad hoc innovations and/or specifications have been introduced regarding mainly a better understanding of the theory of change and the related contribution analysis in Step 1, and the causal analysis in Step 2, including the use of quantitative methods (as described in a the methodological annex).

## Overall assessment

The relevance of Budget Support objectives in support of the government's poverty reduction strategy was high: the donors' objectives were strongly aligned with Government objectives and harmonised among the Development Partners (DP). There was considerable degree of coordination and harmonization of BS among different DPs. The quality and ownership of the policy dialogue in the first part of the period under review was solid. The overall relevance of objectives, however, was undermined by diverging objectives in the latter part of the period under review as well as missed opportunities in several major policy areas, such as increasing revenue mobilization, controlling population growth, strengthening local Government revenue base and capacity, reducing gender inequities, and giving greater priority to agriculture and increasing rural productivity. The government's shift in its objectives towards infrastructure and productive sectors had merit from the viewpoint of the need for sustained growth and poverty reduction, as reflected in considerable analytical work, but the continued policy focus on social sectors was also needed to sustain gains in service delivery.

The relevance of the design was moderate. Apart from the missed opportunities mentioned above, the shift to GBS helped elevate the level and coordination of the policy dialogue and broadened the consultation process. However, by moving away from the explicit protection of sector funds for basic services, it may also have overestimated the actual convergence between Government and DPs in terms of policy and expenditure priorities. This, in turn, may have affected the relevance of BS design, which continued to focus mainly on education, health, and water and sanitation.

Despite the reduction of volumes over time, BS funds have ensured significant resources to finance development expenditure and, apart from the very last years, have partly 'covered'<sup>4</sup> the development expenditure in the three focal sectors. The dialogue framework before the JBSF was particularly focused at sectoral level and at the level of the MoFPED. Subsequently, the JBSF promoted a wider and stronger coordination of the DPs and elevated the dialogue to the level of the Office of the Prime Minister (OPM). This helped improve the general performance monitoring framework and procedures, but the link with the sectors was partly lost. Technical assistance, under the Joint Assessment Framework (JAF), was focused on Public Financial Management (PFM), but in the other areas, especially at the local level, it was not adequately connected and prioritized through the dialogue. The Technical and Administration Support Unit (TASU) supported the dialogue through significant studies and analyses, especially regarding public financial management. TASU managed Uganda's first Local Government PEFA Assessment, and undertook an in-depth analysis of the relationship between fiscal decentralization, fiscal incentives, and decentralized service delivery outcomes in Uganda. However, TASU was not involved in capacity development at the sectoral level.

<sup>4</sup> Funds being fungible, this means that the amount of BS funds, compared to the actual development expenditure in the three sectors, corresponded a significant share of it (see specific data in the main text).

BS contributed to solid overall fiscal management during the early years under review, but frequent supplemental budgets, especially during periods of elections have undermined budget credibility. The strong influence of the electoral cycle on budget management is a recurring issue. Perhaps most important, at about 13 percent of GDP, the Government's exceptionally low domestic revenue mobilisation has been the Achilles heel of the overall policy framework supported by BS. It has its roots in the political economy of large tax exemptions, patronage, and the culture of non-compliance. It has taken place against the backdrop of significant volumes of budget support but no corresponding improvements in domestic revenues. As the BS volumes declined, low domestic revenue mobilization contributed to the cuts in the current and development expenditure, with negative consequences on the funding and quality of services and sustainability of social service outcomes.

Uganda has been a strong performer in PFM matters over much of the last decade and BS has provided significant support in this area. Legislative framework, budget reporting, transparency, audits, and the implementation of Integrated Financial Management Information Systems (IFMIS) at central and local government levels have all improved substantially. However, the PFM reform process falls short in several areas and some key PFM indicators have deteriorated in the last few years. Weaknesses are noted in the areas of budget credibility, transparency of inter-governmental fiscal relations, and the quality of the PFM reform process at the decentralised level.

After the initial surge in allocations to the national Poverty Action Fund (PAF) until 2003/04, increases in pro-poor allocations gradually slowed. Instead, increases in the allocation for productive sectors, defence and various administrative expenditures took precedence and their execution frequently exceeded the approved budget. Furthermore, efforts to reduce the deficit without raising domestic revenues increased trade-offs between pro-poor and productive sector expenditure. BS has been irreplaceable in partially protecting pro-poor allocations until it has been drastically reduced.

Sectoral policies and institutional capacities have not improved in the education and health sectors during the evaluation period. BS funds have only partially contributed to protecting sectoral allocations. As BS volumes declined and revenue mobilization remained low, funding for social services came under pressure and some outcome indicators deteriorated. BS dialogue has contributed to the establishment of a useful performance assessment framework that also improved over time. In the water sector, by contrast, results were better, reflecting a well-functioning sector-wide approach supported by the integration of SBS with other aid modalities and accompanying measures.

Governance indicators have improved, especially in the earlier years of the evaluation period and on the upstream side of the accountability chain. Budget support and related policy dialogue, directly and indirectly, helped strengthen some key governance and accountability institutions such as the Auditor General's office and Inspector General's office. However, progress is especially lacking downstream of the accountability chain e.g., following up on upstream decisions, enforcement of prosecution, and recovery of funds. More broadly, decisions at the top political levels often interfere with the main direction of economic policy. This is reflected in major policy initiatives and changes that were sometimes introduced with little broad consultation and mobilization of required resources and capacity (e.g., purchase of fighter jets, proliferation of districts, free post-primary education, various supplemental budgets). These decisions, mainly reflecting political and political economy considerations, appear to have undermined policy effectiveness in priority sectors and complicated fiscal management.

### ***Outcomes in the focal sectors and the role of BS***

Education. The significant increase in basic access to education at both primary and secondary level, including achieving gender equality at primary level, has been a result of GoU education policy. The main role of BS has been in funding sector strategies, which have resulted in significant improvements in access. However, in the second half of the period this contribution has declined. The contribution of BS sector dialogue has been moderate. Despite the support of BS dialogue, particularly in the second part of the considered period, government actions to enhance quality in education and learning achievements have had limited effects. BS has also supported gender policies incorporated into national education policies, with gender parity in terms of gross enrolment achieved at primary level. However, much less attention was paid to addressing large dropout rates, the reasons why girls drop out, and very limited attainment. Finally, BS has missed the opportunity of providing specific capacity development support to enhance the efficiency of the implementation at the local level, which was critical in ensuring sustainability of local service delivery.

Water and sanitation. GoU's strategy of decentralised and deconcentrated implementation has resulted in an increased access and functionality of rural and small towns' water supply, and in improvements of equity of this critical service. The sector has been characterised by a successful sector wide approach (SWAp), led by GoU and supported through SBS and other aid modalities (basket funds, etc.). In this context, BS has contributed through funds, policy dialogue, and capacity building, which enhanced sector policy design and implementation. However, the stagnation in key

performance indicators against trends in funding, suggests that sector funding is insufficient to reach sector targets, notwithstanding improvements in efficiency and maintenance. Gender mainstreaming in the sector is mainly through monitoring and reporting, but does not promote concrete improvements of the role and activities of women.

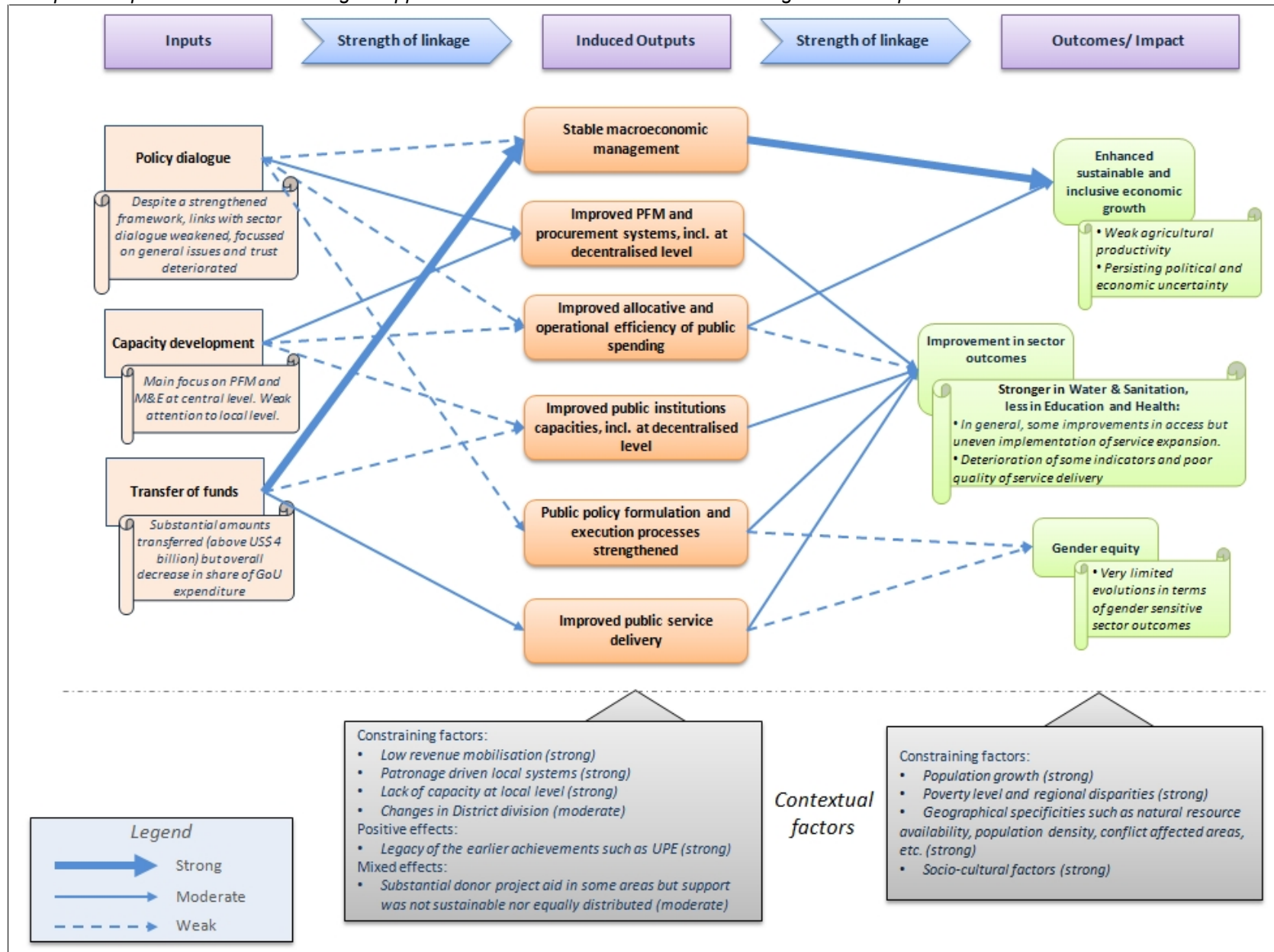
Health. The health sector has seen several quantitative and few qualitative improvements. Access to most medical services has improved due to important public investments. Improvements have been unevenly distributed, however, with a clear and persistent urban-rural gap. Although health related gender outcomes, such as access to maternal health care, have improved during the period, improvements have slowed down and some indicators are worrisome (e.g., HIV infection rates). Fertility rates are high and maternal mortality rates, while declining, remain at a comparatively high level. BS, mainly through policy dialogue, has contributed to the development of a series of policies, strategies, and plans over the past decade, and BS funds have made possible the implementation of some ambitious initiatives, e.g., expansion of provider networks, abolishment of patient user-fees, and sustained management of HIV patients.

Risks at outcome level. There is high risk that even mixed basic outcomes in education and relatively poor outcomes in health and better outcomes in water and sanitation will not be sustained because of future underfunding due to low revenue mobilization. This is compounded by very limited implementation capacity at the local level. Other outcomes are at risk because of continued policy uncertainty, financial (funding), economic (country or sector level), political, and social factors as well as government ownership, commitment, and governance. Mitigating these risks will require their clearer recognition and greater policy emphasis on the critical problem of revenue mobilization, including at the local level, and more concerted effort in implementing sector policies, building local capacity, and improving efficiency in delivery of services at sector and local levels.

The diagram that follows visually synthesises the overall contribution of budget support and other factors to the achievement of the targeted development results (see next page).

Figure 1

Simplified representation of the budget support contribution to the achievement of targeted development results





## The way forward

In response to the overall assessment, the evaluation has formulated lessons from the past as well as a set of comprehensive, forward-looking recommendations to help the stakeholders review the present GoU-DPs partnership, strengthen the dialogue around a shared agenda, and work together towards new forms of cooperation. Regarding the future directions, four areas are important in defining the way forward: focusing on the areas of highest impact and need, implementing sector-wide approaches, broadening the mix of support instruments, and strengthening mutual accountability and dialogue.

**Focusing on areas of highest impact and need.** Given the growth challenges and serious risks to the key social and economic achievements made so far, the future partnership between GoU and DPs should consider less ambitious support programmes and focus on areas of highest impact and need, with a view to:

- increase government revenues,
- reverse underfunding and serious deterioration of social service delivery,
- strengthen downstream governance institutions, accountability and enforcement,
- support longer term strategies for growth and poverty reduction including those focused on infrastructure and agriculture,
- integrate gender equality and equity, civil society participation, and local implementation capacity into the top of the sectoral development agendas.

**Implementing sector Wide Approaches (SWAp).** The development of solid sector wide approaches (SWAp) seems a most suitable framework to enhance sectoral outcomes and ensure effective, implementation-driven dialogue between GoU and DPs, including their harmonisation and alignment.

**Broadening the mix of external support instruments.** Under solid SWAp, the use of a broader mix of external support instruments will allow to ensure flexible responses to specific problems. In the social sectors, sector budget support (SBS) and basket funds, for example, would ensure the protection of sectoral investment, while avoiding excessive project fragmentation and weak GoU ownership. Various accompanying measures including in the form of individual projects should be considered as well, to enhance implementation capacity. There should also be some scope for experimentation, for example, with new, results oriented aid modalities. This mix of aid modalities could be also accompanied by a limited BS to support MoFPED and reinforce cross-sector coordination. This should also be accompanied by much stronger emphasis on local capacity building.

**Strengthening mutual accountability, policy, and political dialogue.** A focus on sectoral and unambiguous results will increase mutual accountability of GoU and DPs, facilitate policy dialogue and consolidate the already important achievements of the High Level Action Matrix (HLAM). Political dialogue should take place in separate instances, limiting overlapping with BS dialogue while enhancing complementarities with sectoral policy dialogue, shared understanding on principles, and reduction of political risks.

## Lessons from the past and lessons for the future

The main lessons of the evaluation regarding both the past experience and future prospects are summarised in the table below. Fifteen lessons from the past are highlighted, with corresponding lessons and recommendations for the future. They are clustered around cross-cutting issues and those affecting sectors of the evaluation focus: education, health, and water and sanitation.

No.	Lessons from the past	Lessons for the future
	<b>Cross cutting issues</b>	<b>Cross cutting issues (DP, GoU, Civil Society)</b>
1	<ul style="list-style-type: none"> <li>• <b>BS Effectiveness.</b> BS has supported macro-economic stability, PFM, and upstream governance and accountability, and development in key social sectors. But it has also shown significant weaknesses: escalation of public expenditure in administrative sectors combined with low levels of government revenue and inadequate funding for basic services. BS targeted results—compared to performance matrices and to past trends and regional standards—have been below the expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ensuring a more selective focus on the key challenges.</b> Going forward, DPs and GoU should consider less ambitious and more selective programmes and focus on areas of highest impact and need, e.g., downstream accountability and enforcement, budget credibility and transparency, very few priority sectors, to reverse underfunding and serious deterioration of social service delivery, backed by local government capacity building and a forceful emphasis on increasing government revenues.</li> </ul>



No.	Lessons from the past	Lessons for the future
2	<ul style="list-style-type: none"> <li>• <b>Partnership.</b> Partner relations between GoU and BS DPs have gradually deteriorated in terms of divergence of priorities, interests, and trust. The decision to strengthen GBS at the beginning of the evaluation period overlooked the risks linked to such a divergence of interests. GBS and its comprehensive dialogue framework have become increasingly ineffective. It gradually lost touch with policy implementation in the key sectors and pursued overambitious objectives spread over too many policy areas. Only in the very last phase of the evaluation period, the HLAM managed to restore a framework of mutual accountability, potentially creating the basis for renewed trust and cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Reinforcing the practical foundations of the partnership between GoU and DPs.</b> This will help rebuild trust around more focused but genuinely shared agenda. A more pragmatic approach will help address the complex challenges and risks linked to the potential transition of Uganda toward a middle-income oil exporting economy. Moving policy dialogue nearer to the practical/technical problems and the local implementation level would help find a new convergence of interests on a more realistic set of objectives. Solid sector-wide approaches (SWAs) in the key areas should help re-launch the effectiveness of the partnership.</li> </ul>
3	<ul style="list-style-type: none"> <li>• <b>Polarization of GBS and project-led strategies.</b> The two strategies were often viewed as mutually exclusive. GBS has built a high-level consultation framework and tried to embrace from the top a very wide and ambitious range of issues. But as GBS declined, on-budget investment projects have multiplied resulting in fragmentation, and SBS declined sharply. Apart from the water sector, the polarization and lack of coordination between BS and projects has been a factor of inefficiency and ineffectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Broadening of the mix of modalities, while ensuring sector coherence, coordination and complementarities.</b> A flexible and coordinated mix of financing modalities and instruments should be adopted to address specific sector objectives at central and local level and adapt to the specific constraints. This may include SBS and/or basket funds, which are able to protect sector investment while avoiding excessive project fragmentation and weakening of government ownership. Various accompanying measures even in the form of individual projects should be considered to enhance implementation capacity. There should be scope for some experimentation, for example, with results oriented instruments. Such mix could be accompanied by limited GBS to support MoFPED and reinforce cross-sector coordination. Innovative forms of partnership (e.g. PPP) should be identified and supported in infrastructure, science and technology, and other growth-related areas. In the short-medium term, the priority should be on reversing the negative trends in the social sectors and on strengthening resource mobilisation and coordination at MoFPED level.</li> </ul>
4	<ul style="list-style-type: none"> <li>• <b>Capacity building.</b> With the exceptions of PFM, and upstream governance institutions—policy areas and institutions showing most improvement— capacity development, be it in the form of accompanying measure to BS or specific project support, has been generally overlooked, especially at the local government level, and in health and education (a shortcoming which was not addressed through the introduction of TASU in 2010).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increasing capacity building, with an emphasis on the local level.</b> The delivery of funds, under different modalities, should be complemented with coordinated and significant institutional building and capacity development measures at all levels. Local capacity building should be considered a high priority and a key component of the sectoral programmes in order to enhance their effectiveness.</li> </ul>
5	<ul style="list-style-type: none"> <li>• <b>Dialogue.</b> Many DPs contributed to a wide range of policy areas. But focus—needed for implementation and results—was lost. In the JBSF period, previously close links with sectoral priorities and implementation weakened. In addition, there has been an increasing overlap of political, human rights, and economic elements in the overall policy dialogue – without the necessary clarity, distinctions, and complementarities – which has affected its strength and mutual trust.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Restoring sector dialogue and SWAs.</b> Dialogue between GoU and DPs should remain firmly anchored in the realities of the sectoral and local performance. SWAs seem the most suitable framework to develop an open and constructive dialogue to improve policy formulation and implementation, identify capacity gaps, and ensure the complementarity of the different aid modalities and programmes. Political dialogue should be separated from the sectoral policy dialogue. Political dialogue could aim at improving political understanding, limiting political risks, and possibly enhancing technical and financial cooperation.</li> </ul>
6	<ul style="list-style-type: none"> <li>• <b>DPs coordination.</b> This has shown various weaknesses, even in the JBSF period and has been affected by the lack of focus on</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Shifting DPs coordination mainly towards sectors but with important role for MoFPED.</b> DP coordination should be mainly based on sector wide approaches and</li> </ul>

No.	Lessons from the past	Lessons for the future
	sectoral implementation. Despite a joint PAF, each DP has pushed somewhat different priorities within the overall donor frameworks. DPs were also taking independent and, at times, uncoordinated disbursement decisions, undermining BS predictability and credibility of the joint framework, and complicating the government's budget management.	strengthening of the cross-sector coordination of the MoFPED, with a close link to the actual programme implementation. More general and principle issues should be addressed through political dialogue in the specific instances where this takes place.
7	<ul style="list-style-type: none"> <li>• <b>Civil society.</b> The level of civil society participation in policy implementation and as a watchdog has been generally low in the areas focused by BS, particularly in PFM and education. This lack of effective participation of the civil society has contributed to the mixed performance in the sectors. BS dialogue has not included any specific focus and target in this area.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Enhancing civil society participation</b> to complement government action, especially in education and other social sectors, and to control public expenditure transparency and effectiveness should be put at the centre of the sector policy dialogue to enhance policy outcomes.</li> </ul>
8	<ul style="list-style-type: none"> <li>• <b>Gender.</b> Gender equality and equity principles have been often declared in BS performance assessment frameworks and in government sectoral policies. But they have almost never been effectively implemented through specific policies and measures, while BS dialogue has been unable to support their prioritisation. Below the surface of some basic indicators of gender parity, major gender inequities remain.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Gender equality before the law and institutions and gender equity in terms of economic and social opportunities and outcomes should be included much more forcefully in all sectoral programmes</b> to ensure their implementation through specific measures and monitoring indicators, including funds (for the establishment of gender focused services) and capacity development support at national and local levels. Given the critical role of women in household welfare, child health, and the rural economy, greater gender equity would directly support poverty reduction and sector outcomes.</li> </ul>
9	<ul style="list-style-type: none"> <li>• <b>Data availability / reliability.</b> The availability and reliability of data represented a major challenge in the evaluation. After more than a decade of BS data collection and processing on service delivery and results in the targeted social sectors, there remain serious gaps in the quality and reliability of data on priority sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Data collection and processing in the targeted sectors</b> should be considered a key priority of the policy dialogue and should be addressed during the formulation of future BS and other policy support programmes. Possible joint programmes financed by different DPs should be included in the relevant financing agreements, or added as complementary, accompanying measures either at sectoral or general level. Equally important, better quality priority sector data should be made widely available, to the government, the civil society, and the DPs for monitoring and policy making purposes.</li> </ul>
<b>Sectoral and thematic issues</b>		<b>Sectoral and thematic issues (GoU and DPs)</b>
10	<ul style="list-style-type: none"> <li>• The shift of JBSF dialogue at the OPM level has overlooked the <b>importance of MoFPED</b>, which remains a key technical agency and an actor for policy development, coordination and implementation. This is in particular in view of the critical need to increase domestic revenue and expand local revenue base, and improve expenditure efficiency and effectiveness at national, sector and local level.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU.</b> Enhance the role of MoFPED to strengthen the credibility and sustainability of the budget and improve expenditure efficiency.</li> <li>• <b>DPs.</b> Priority actions should include: <ul style="list-style-type: none"> <li>• BS of limited size to be agreed upon with MoFPED, with a focus on revenue mobilisation and PFM (namely Local finance), and efficiency for poverty reduction and sustainable growth.</li> <li>• Capacity development (complementary to BS) on revenue and local finance.</li> </ul> </li> </ul>
11	<ul style="list-style-type: none"> <li>• <b>Fiscal Management.</b> Persistent, low <b>revenue mobilization</b> has undermined sustainability of social sector outcomes. Frequent, poorly justified <b>supplemental budgets</b> undermined budgetary credibility and worsened the composition of public expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU.</b> Make annual increases in domestic revenues in terms of revenue-to-GDP ratio a top fiscal priority and ensure accountability of relevant agencies. In addition to the new budgetary contingencies, consider stricter legal limits and criteria on the passage, size and structure of supplemental budgets.</li> <li>• <b>DPs.</b> Future BS should be clearly and strictly conditional on the achieved improvements in domestic revenue mobilization.</li> </ul>
12	<ul style="list-style-type: none"> <li>• <b>Sector wide approaches in Education and Health</b> have deteriorated. The institutional and technical capacities have progressively eroded over the past years, particularly at decentralised levels. A</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU.</b> Strengthen SWAp in the <b>social sectors</b> to help recover a path of quality improvement.</li> <li>• <b>Education</b> <ul style="list-style-type: none"> <li>• <b>GoU.</b> Strengthen sectoral policy implementation (SWAp)</li> </ul> </li> </ul>

No.	Lessons from the past	Lessons for the future
	<p><b>sector wide approach in water and sanitation</b>, has been preserved, thanks to a stronger sectoral leadership supported by some SBS programmes and a coordinated mix of other aid modalities. It could be a model to resuscitate dialogue in other sectors, although some specific features of the water sector (namely the predominance of capital intensive interventions) may have played a facilitating role.</p>	<p>to reactivate sectoral dialogue and strengthen capacity.</p> <ul style="list-style-type: none"> <li>• <b>DPs.</b> SBS and/or Basket funds<sup>5</sup>, combined with capacity development support. Such modalities would allow to: i) re-launch in-depth sector policy dialogue by providing stronger incentives for sector participation and involvement, and ii) strengthen linkages between measures foreseen and complementary capacity building. They would also allow the possibility of protecting given levels / categories of sector / sub-sector expenditures through the inclusion of specific conditionalities.</li> <li>• <b>Health</b> <ul style="list-style-type: none"> <li>• <b>GoU.</b> Strengthen sectoral policy coordination and implementation (SWAp) to overcome the sectoral fragmentation, reactivate sectoral dialogue and strengthen capacity.</li> <li>• <b>DPs.</b> SBS and/or Basket funds, combined with capacity development support (see remarks made under the education sector.)</li> </ul> </li> <li>• <b>Water and sanitation</b> (and environment) <ul style="list-style-type: none"> <li>• <b>GoU.</b> Continue the SWAp in the sector.</li> <li>• <b>DPs.</b> Mix of aid modalities as currently envisaged by the latest sector program.</li> </ul> </li> </ul>
13	<ul style="list-style-type: none"> <li>• In the area of <b>Law &amp; Justice</b> the strong progress registered in the upstream side of the accountability chain (e.g. anti-corruption legal framework and governing legislation and OAG and IGG) has not been met by equal progress on the downstream side (e.g. enforcement of prosecution and recovery of funds).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU. Strengthen training, capacity and incentives for law enforcement against petty and economic crime and corruption.</b> Require high government officials to lead by example by publicly and transparently and routinely disclosing assets and incomes and paying taxes on farm and non-salary incomes. Use the experience of countries that successfully made concerted improvements in the fight against corruption.</li> <li>• <b>DPs.</b> Sector programmes with a strong capacity development component, monitoring and results indicators.</li> </ul>
14	<ul style="list-style-type: none"> <li>• BS DPs have had a relatively ambiguous attitude toward the country challenges in <b>energy and infrastructure</b> that are affecting growth and social development as well. Despite the comprehensive nature of GBS and the specific sectoral involvement of the World Bank and the EU, such sectors have been only marginally addressed in the JBSF.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>DPs. Recognize that there is a role for public infrastructure</b> in development and consider supporting it through highly selective, coordinated sector programmes investment strategies in energy and infrastructure, to sustain rapid growth and limit negative feedbacks on poverty and equity.</li> </ul>
15	<ul style="list-style-type: none"> <li>• <b>Policy implementation at the local levels</b> shows heavy capacity gaps and low levels of expenditure efficiency. The multiplication of the districts and the low level of financing create unsustainable pressures on the local capacities. BS has not addressed directly these issues, although the World Bank has implemented a specific programme at the beginning of the period.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU. Put local implementation capacities on national policy priority agenda</b>, through increasing local financial resources, improving local PFM and strengthening local capacities and systems.</li> <li>• <b>DPs.</b> Consider improvements of local implementation as a key priority. Support local component of PFM at MoFPED level. Support programmes focused on local institutional strengthening and capacity development. Build on the experience of previous support.</li> </ul>
16	<ul style="list-style-type: none"> <li>• Policy dialogue and support to <b>agricultural productivity and rural development</b> has been a major missed opportunity in support of growth, poverty reduction and reducing gender inequities.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>GoU. Put agricultural productivity at the top of the policy agenda</b> and engage DPs in a reinvigorated sector dialogue with stepped up funding and capacity building.</li> <li>• <b>DPs.</b> Consider reviving agricultural policy dialogue using alternative support modalities and lessons from the sector dialogue in water and sanitation.</li> </ul>

<sup>5</sup> Pooled funds or Basket funds refer to a form of aid where donor resources are pooled but kept separate from other (government) resources intended for the same purpose. The water and health sectors provide two different examples of the use of pooled funding in Uganda. Here, it is recommended that the modality with which pooled funds are used in the water sector be extended to the health and education sectors.

# 1 Introduction

## 1.1 Objectives and scope of the evaluation

The main **objective of the evaluation** is “to assess to what extent the General Budget Support (GBS) and Sector Budget Support (SBS) in Uganda contributed to achieve the expected results by giving means to the partner government to implement its national / sector strategies, and to enhance the efficiency and effectiveness of its policies, strategies and spending actions. The evaluation should also analyse how GBS and SBS have contributed (or not) to improved transparency within government systems and stronger accountability.”<sup>6</sup>

The evaluation takes stock of what has been achieved with a forward looking perspective in order to identify lessons learnt and propose recommendations to inform on:

- *the conditions under which GBS/SBS has an effect (or not) and the possible intensity and nature (positive or negative) of such effect in Uganda;*
- *the design and implementation of future GBS/SBS operations in Uganda, taking into account the withdrawal from budget support by several partners following the corruption scandal in 2012, and the expected increase in domestic revenues from oil;*
- *improvements that development partners and the Government of Uganda may undertake to maximize GBS/SBS impacts in synergy with other complementary joint aid modalities in Uganda;*
- *constraints in government policies, institutional structures, and administrative arrangements in Uganda, which might impede the overall effectiveness and impact of spending actions and targeted public policy.*<sup>7</sup>

The evaluation covers **10 years** of Budget Support (BS) operation to Uganda, from 2004 until 2013. This covers different periods in the evolution of BS to Uganda: i) the pre-JBSF (2004-2008); ii) the JBSF (2009-2012); and iii) HLAM (2013). The assignment covers all BS operations financed during this period (see definition of budget support in Box 1). With specific reference to World Bank (WB) budget support, the evaluation focuses on the PRSCs over the period analysed.

### Box 1 Definition of budget support

For the purpose of this evaluation – and in line with the ToR (p.1) – Budget Support is defined as a method of financing a partner country’s budget through a transfer of resources from an external financing agency to the partner government’s national treasury. The funds transferred (grants or loans) are therefore managed in accordance with the recipient’s budgetary procedures and are not tracked within the government systems. In the specific context of Uganda, this definition thus also includes HIPC debt relief, earmarked sector budget support to the Poverty Action Fund (PAF) and budget support to the PAF in general.<sup>8</sup> Budget support is part of a broader support package which comprises other components, namely policy dialogue and capacity development.

Furthermore, the evaluation has paid attention to other aid modalities (in particular, projects), in order to assess the complementarity and synergy between them, including (comparative) advantages or disadvantages, taking into account the country context.

The evaluation has followed the methodological framework for the evaluation of BS developed by the OECD-DAC, which relies on the so-called 3-Step Approach (see ToR in Annex 1 for further details). More specifically, in line with the thematic scope of the evaluation as foreseen in the ToRs:

- In Step 1, the analysis of BS contribution to the policy and institutional processes covers all sectors that have been supported through BS operations, including: Macro-economy (including on growth, fiscal and debt issues) and income poverty reduction; Public Finance Management (PFM); Governance (including Accountability, Rule of Law and Justice); Health; Education; and Water and Sanitation.
- In Step 2, the assessment of the outcomes and their determinants focuses on: Health, Education; and Water and Sanitation sectors for which in-depth case studies have been carried out.

<sup>6</sup> Terms of Reference of the ‘Joint Evaluation of Budget Support to Uganda’ (July 2014), p.6.

<sup>7</sup> Ibid.

<sup>8</sup> It is noteworthy that the earmarking is purely notional in this context as there is no tracking of budget support resources through the expenditure cycle in Uganda.



In addition, the evaluation has assessed under Step 1, how and to what extent gender has been mainstreamed through Budget Support operations in Uganda, including both the BS programme documents and the supported policies, while under Step 2 specific attention has been devoted to actual gender inclusion in the specific sectoral outcomes.

Then, in Step 3, the two assessments are compared and integrated to explain the actual contribution of BS to the targeted results.

Some integrations of the standard methodology have been introduced, however, along two main lines: (i) as the evaluation is executed by a joint IEG-EC team, data and analytical approaches to different questions, field visits and surveys have all benefitted from combined and closely coordinated efforts of the two institutions involved, and adjustments of the approach have been introduced to ensure the evaluation report is compatible with the methodological standards of both; (ii) since the evaluation occurs in a process of review of the 3-Step methodology, some ad hoc innovations and/or specifications have been introduced regarding mainly a better understanding of the theory of change and the related contribution analysis in Step 1, and the causal analysis in Step 2, including the use of quantitative methods (as specified in a specific methodological annex).

## 1.2 Management of the evaluation and presentation of findings

The overall process has been led by a Management Group (MG), consisting of the Independent Evaluation Group (IEG) - World Bank and the evaluation unit of DG DEVCO – European Commission (lead partners), the Government of Uganda represented by the Ministry of Finance, Planning and Economic Development (MoFPED) and the Office of the Prime Minister (OPM), as well as the Evaluation & Audit Unit, Department of Foreign Affairs & Trade – Ireland, and the Department for International Development (DFID) - UK.

The MG was responsible for the timely realisation and quality of the evaluation. The overall approach of the MG has been to work in a transparent manner based on regular consultations with the Country Reference Group (RG), which consisted of key government stakeholders, civil society, Parliament representatives and interested Development Partners (DPs).

## 1.3 The outputs of the evaluation

The outputs of the evaluation (three volumes: synthesis, detailed evaluation, and technical annex) will be presented and discussed at different levels: in Kampala, Brussels and Washington. A first workshop will be held in Kampala to discuss the findings, conclusions and recommendations with government officials, academics, CSOs, private sector representatives and the donor community. The report will then be revised and finalised in light of comments and discussions. The dissemination workshops in Brussels and Washington at EU and IEG headquarters will focus on methodological aspects and the overall lessons learned, including the prospects for possible future collaboration on this type of joint exercises.

## 1.4 Structure of the final report

The report consists of three volumes. **Volume I**, the synthesis—consists of six main sections:

- Section 1. Introduction: it includes a brief overview of the evaluation objectives and scope;
- Section 2. Context: it presents some key elements of the national context and overview of the evolution of budget support to Uganda (key figures);
- Section 3. Key methodological elements: it details the conceptual framework used in the evaluation as well as some methodological challenges and limitations;
- Section 4. Main findings and response to the Evaluation Questions: it provides the results of the analysis for each of the evaluation questions (core of the report);
- Sections 5 and 6. Overall assessment, lessons learnt and recommendations of the evaluation.

**Volume II** is a detailed report, which presents the complete information matrix with the main evaluation evidence that underpins the synthetic findings of the evaluation.

Complementary information, including complete results of stakeholder and service provider surveys and statistical analysis, is provided in various annexes compiled in **Volume III**.

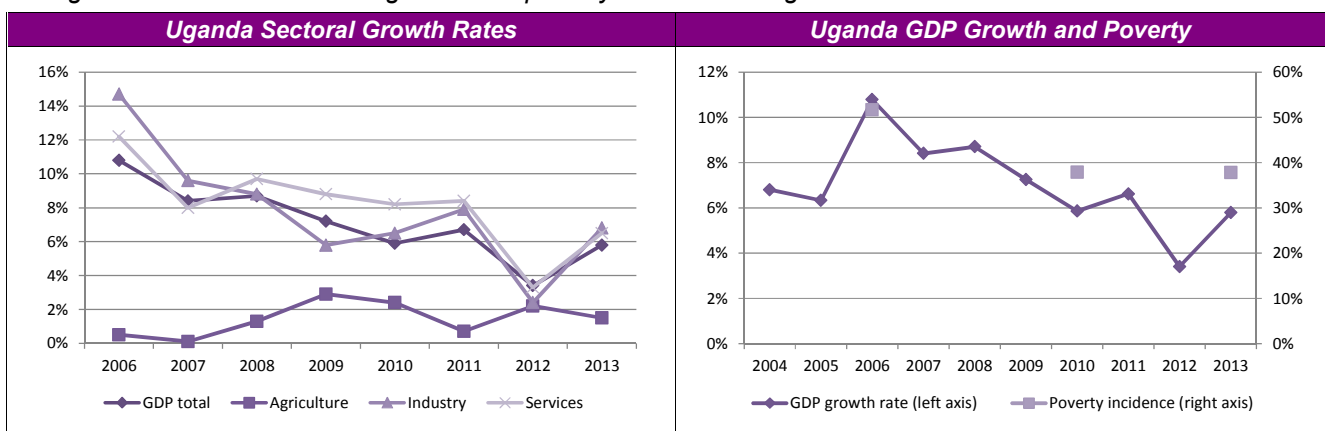
## 2 Context

### 2.1 Key features of the socio-economic context

Uganda experienced robust economic growth over the last decade, resulting in steady gains in per capita income, despite rapid population growth. Per capita GNI (World Bank Atlas method) has increased steadily from USD 270 per person in 2004 to USD 600 in 2013. Over the past five years, however, the economy grew at a slower pace, an average of 5.8 percent, compared to 7 percent over the past two decades and the GNI per capita grew at 2.5%. While robust overall, Uganda's growth has lagged behind some of the regional comparators (e.g. Tanzania 7.1 percent; Rwanda 7.4 percent).

Sectorally, the main drivers of economic growth are services, especially telecommunications, wholesale and retail trade and, to a lesser extent, public administration. By contrast, although the agriculture sector employs a large proportion of workers, growth in agriculture has been lower than expected. The share of agriculture as a proportion of GDP, which has historically hovered around 25 percent, dropped sharply to 13 percent in 2013. The services sector has picked up the slack and increased its share of GDP from 45 to 53 in 2013, while the industry sector continues to make up about a quarter of total economic activity.

Figure 2 Patterns of growth and poverty reduction in Uganda



Source: Uganda Bureau of Statistics and World development indicators.

Robust growth has been accompanied by significant poverty reduction, especially when growth in agriculture was strong. While the poverty incidence of people living under USD 1.25 per day was reduced from 51.5 to 38.0 percent over the time period of 2006 to 2009, there are indications that the overall poverty reduction stalled since then, with 2013 poverty rate still at 37.8 percent using the *international poverty* line (World Development Indicators). However, the *national poverty* line of USD 1 per day (which is below the *international poverty* line) shows a further decline, from 39 percent in the early 2000s to under 20 percent in 2013 (GoU, 2014). Taken together, these figures imply that, despite progress achieved (measured by the *national poverty* line), broader measures of income poverty suggest high persistence of poverty and vulnerability among large segments of the population. Geographically, progress has been unequal across regions with the Northern regions most notably lagging behind. In those regions, much of the progress can be attributed to a catch-up effect after a period of violence and political instability.

Against this backdrop, Uganda continues to experience very high rates of demographic growth and urbanization. At 3.3 percent per year, population growth in Uganda is among the highest in the world, and it has remained stable since 2004. Exceptionally high birth rates and overall population growth result in very unfavourable overall dependency ratio, which means that (relatively) few, very young people with limited skills that are in the labour force must provide for very large and growing cohorts of the young (and older) dependents. This is making income poverty reduction more difficult at the household and individual levels. Furthermore, urban population growth outpaces rural population growth with respective rates at 5.4 and 2.9 percent, posing additional challenges to service delivery and poverty reduction in both urban and rural areas. But, with low domestic revenue mobilization and reduced aid inflows, this has resulted in major pressures on the already overstretched urban services. At the same time, delivery of basic services in rural areas continues to lag behind, contributing to the massive rural-urban migration.

### 2.2 National policy framework

In 1998, the Poverty Eradication Action Plan (PEAP) framework was introduced to enable the GoU to manage its resources more strategically in support of its long-term objective of poverty eradication. It acted as the overarching planning framework until 2010. The Ministry of Finance, Planning and



Economic Development collaborated closely with the Development Partners in the development of the first plan and its successor covering the period of 2004-2008, which was eventually extended to 2010. It covered five pillars: (1) economic management; (2) production, competitiveness, and incomes; (3) security, conflict-resolution, and disaster management; (4) governance; and (5) human development. The Government's priorities during this period were, by and large, focused on the expansion and quality of frontline health care and primary education services along with programmes to support income generation through the commercialisation of agriculture.

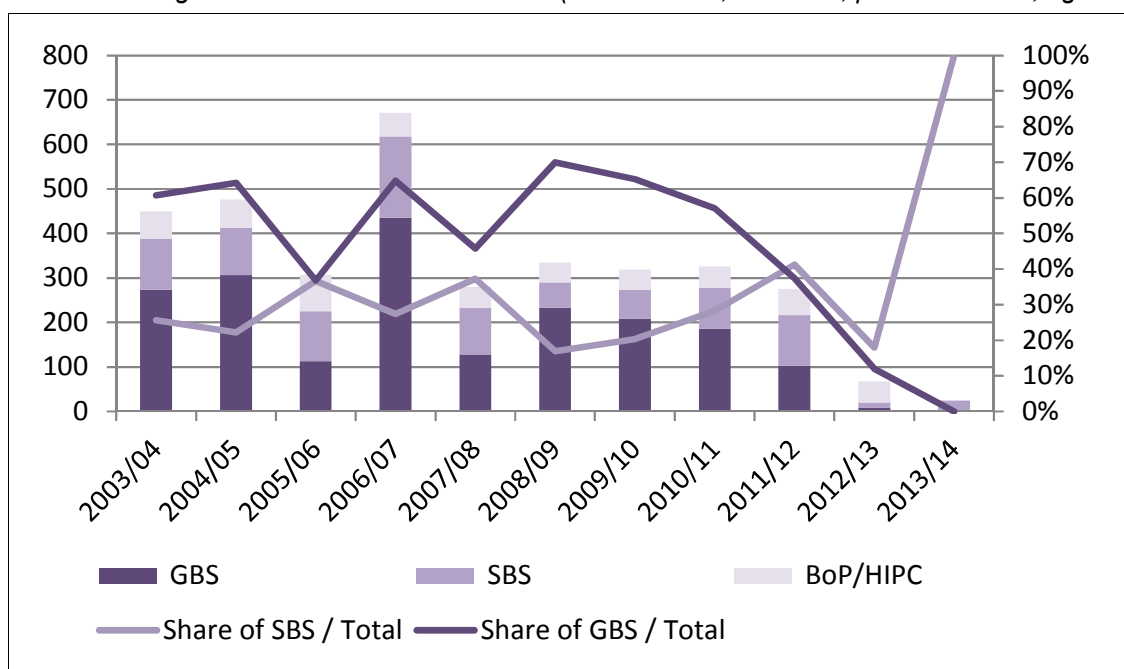
In 2007, the National Planning Authority was established, which took stewardship of the national planning process and commissioned an independent evaluation of the PEAP. Some of the high-level findings were that: (i) the PEAP was effective as an instrument for the prioritisation of public policy, but that this prioritisation has weakened over time, and (ii) changing political priorities have created a growing gap between the priorities of the PEAP and the capacity of the budget to fund them. Though the Poverty Action Fund (PAF) has been effective within the budget in protecting and reinforcing the original poverty eradication policy settings, it appears to also have had a negative effect on the PEAP's capacity to *adapt* its strategy as national circumstances have changed.

The National Planning Authority developed an ambitious new vision for the development of the country, aiming to achieve middle-income status within 30 years through the implementation of a series of five year plans. The first of these plans (National Development Plan 2010-2015) incorporated the main recommendations from the evaluation of the PEAP. The new plan entails a significant shift in emphasis towards economic infrastructure, linked to the discovery of oil, gas and minerals. Social services sectors - which have been the long-standing focus of external donor support - including education, health, and water assume secondary priority.

### 2.3 Evolution of budget support to Uganda

Uganda has traditionally received large amounts of international donor in the form of BS. Total BS, including General Budget Support (GBS), Sector Budget Support (SBS) and Balance of Payment / Heavily Indebted Poor Countries (HIPC) debt relief initiative support, decreased substantially from a high of almost USD 700 million in FY06/07 to well below USD 100 million as of FY12/13. There is broad trend of decline in the last ten years and a sharp drop from FY12 to FY13, reflecting the aftermath of the episode of the diversion of donor funds (see Figure 3).

Figure 3 Uganda: Trends in GBS and SBS (USD millions, left scale; percent shares, right scale)



Note: the sum of the shares of SBS and GBS does not necessarily amount to 100%, as the overall amount also includes the funds provided under the BoP / HIPC initiative.

Source: Own elaboration based on data provided by the ALD, MoFPED (2014).

Of a total of USD 3.5 billion in BS extended to Uganda during 2004-13 period, USD2 billion went toward GBS and USD 1 billion toward SBS, with the rest provided in the form of BoP/HIPC (see Figure 3). Of the twelve BS partners, the WB was the biggest contributor with USD 1.2 billion followed by the UK and the EU who provided USD 480 million and USD 290 million respectively (see Annex 4 for details).

### 3 Key methodological elements

#### 3.1 General issues

The methodology applied in this evaluation follows the 3 Step approach as established in the OECD-DAC guidelines<sup>9</sup>. To ascertain how and to what extent the opportunities provided by BS have been used to strengthen the government policies geared towards the achievement of the agreed results, the evaluation uses a contribution analysis, divided in two steps (Step 1 and Step 2) and then synthesised in Step 3. Through the evidence collected, the contribution analysis aims at building a credible story on the relationships between BS inputs and targeted development outcomes, via the government policies.

As a result, two separate assessments are carried out: Step 1 focusing on the contribution of BS to the country's policy and institutional process and Step 2 focusing on the achievement of the BS targeted results in some focal sectors and the underlying causal factors. Then, in Step 3, the two assessments are compared and integrated to explain the actual contribution of BS to the targeted results. This approach allows a full consideration of the interaction between the policy processes and the context, including the consideration of country political economy and the overall national economic environment. Its comprehensiveness also appears suited to the assessment of clusters of BS operations for which issues of coordination, harmonization, and broad political and political economic context might be particularly important.

Some integrations of the standard methodology have been introduced, however, along two main lines. First, the evaluation, being a joint exercise carried out by an EC-IEG team, introduced some adjustments to the approach to ensure the responsiveness of evaluation report to the methodological standards of both institutions. This is particularly evident in the synthesis chapter structured in line with the IEG objectives-based approach to project validation and assessments, consistent with the key DAC evaluation criteria. This chapter also responds to the requirements of the Overall assessment section as foreseen by the standard 3 Step methodology. In addition, as the evaluation is executed by the joint team, data and analytical approaches to different questions, field visits and surveys have all benefitted from combined and closely coordinated efforts of EC and IEG teams.

Second, the evaluation occurs in a process of review of the 3-Step methodology, based on the experience carried out in seven new countries, since 2012. This implies that, in addition to the aforementioned EC-IEG collaboration, some ad hoc innovations and/or specifications have been introduced and are addressed from the methodological point of view in an annex to the present report.

#### 3.2 The specific theory of change of BS and the 3-Step approach

The theory of change underpinning the evaluation of budget support operations differs very much from the one used for project evaluation, as BS is a modality of aid in which the use of the funds and other inputs provided to a government by its DPs (providing a coordinated, aligned, and harmonized "cluster" of BS operations) is not submitted to pre-defined implementation conditions or operational plans. Funds are mainly disbursed according to the achievement of a shared set of development results (including intermediate targets), monitored through a dialogue framework. It is generally recognised that the recipient government has the necessary policy and implementation tools, which may be strengthened by further technical support included in (or complementary to) the BS package. In some BS designs, namely those of the World Bank, specific policy matrices highlight the specific engagements of the government on given policy processes while only some of the related indicators are used as "prior actions" (conditions of approval) and triggers in multi-operation, "programmatic" BS. So the two approaches and associated theories of change, while related, could be thought of as one where the subject is a cluster of BS operations by different DPs versus one where it is a single operation or a series of closely related operations (as in World Bank BS operations, standalone or programmatic).

BS, according to the specific agreements with the recipient government (Level 1 of the Intervention Logic – IL – as shown in Figure 4), puts in place a number of inputs that represent new opportunities for the government (Level 2 of the IL) to implement and strengthen its policy and institutional processes (Level 3 of the IL) to enable economic and social actors to achieve a set of targeted outcomes (Levels 4 and 5). The recipient government will use the resources and capacities provided through BS (funds, dialogue and TA) according to its own systems and priorities. Indeed, there are cases of DPs that consider the funds provided by BS as an ex-post reward for the achievement of the agreed results and not as a tool to achieve them.

<sup>9</sup> <http://www.oecd.org/dac/evaluation/dcdndep/>

Methodological%20approach%20BS%20evaluations%20Sept%202012%20\_with%20cover%20Thi.pdf

The evaluation follows a heuristic framework rather than a normative one. It aims at discovering how the opportunities provided have been used to develop the policy process, and how - and through which dynamics - the targeted development outcomes have evolved, rather than analysing whether an agreed path of actions has been put in place and has produced (or not) the agreed outcomes.

In Step 1, the evaluation aims to ascertain, first, if the resources provided by BS may be appropriated by the government to strengthen its development policy and institutional process in the given context (*relevance*). Then it has to investigate to what extent and how the government has used the capacities and opportunities provided by BS to strengthen its own policy and institutional processes (*efficiency and effectiveness*). Indeed, different governments might use the resources provided in different ways, although obtaining similar results, either positive or negative, and there might also be capacity gaps that if not adequately addressed, hamper the use of the resources.

As a result, the formulation of the Evaluation Questions (EQs) related to Step 1 has to contain the various hypotheses and indicators necessary to understand how the government has used the resources provided and how the dialogue has allowed (or not) to facilitate a constructive use of such resources. Instead of verifying a pre-defined sequence of causal links, as happens in a project evaluation, the EQs must help identify the broader context within which the cluster of BS operations takes place, the opportunities created, those missed, as well as the actual use that the different parties have made of the resources and opportunities. This is possible through a number of standardised assessments, which are detailed in the specific methodological annex (see Volume 3).

In Step 2 the focus is on development outcomes. Here, the evaluation has to assess whether the government policies have been able to generate the targeted improvements in the livelihood of the poor (shorter and longer term impact). Sometimes it is said that the Step 2 assessment includes an attribution analysis and allows the identification of the determining factors of the targeted outcomes. To support this idea, the use of quantitative econometric analyses has been considered the most important tool in the Step 2 assessment.

In this evaluation, this idea has been partially reviewed. In Step 2, the evaluation carries out (a) a descriptive analysis to identify the most significant changes occurred in the targeted outcomes during the evaluation period, (b) a causal analysis to identify the main causal factors of such changes. The objective of this causal analysis is to identify the causal links between the GoU policies supported by BS and the changes in the targeted outcomes, and to understand the role of other policy and non-policy factors in the causality process. At the end, the Step 2 provides a reasonable understanding of the causality process in relation to the targeted outcomes, although not a definitive attribution of the related changes.

In this causal analysis, a mix of qualitative and quantitative methods have been adopted (see Volume 3 - Annex 5). The latter have been used when permitted by the availability and reliability of the data. Considerable efforts were expended in collecting and reconciling official, DP, and international development agency data, as well as generating *new quantitative and qualitative data and associated knowledge*, including two surveys, extensive interviews, field visits, and statistical analysis.

Step 3 then synthesises Steps 1 and 2 and allows to: i) validate the analyses carried out under the two previous steps and ii) verify their consistency by identifying the correspondence between the conclusions of the two Steps, i.e. whether the policies that have improved thanks to the contribution of BS are the same policies that have contributed to the achievement of the targeted outcomes. By so doing, Step 3 enables the identification of the actual contribution of BS to the targeted results through the identification of causal links between BS and development outcomes, via the government policies.

### 3.3 Surveys

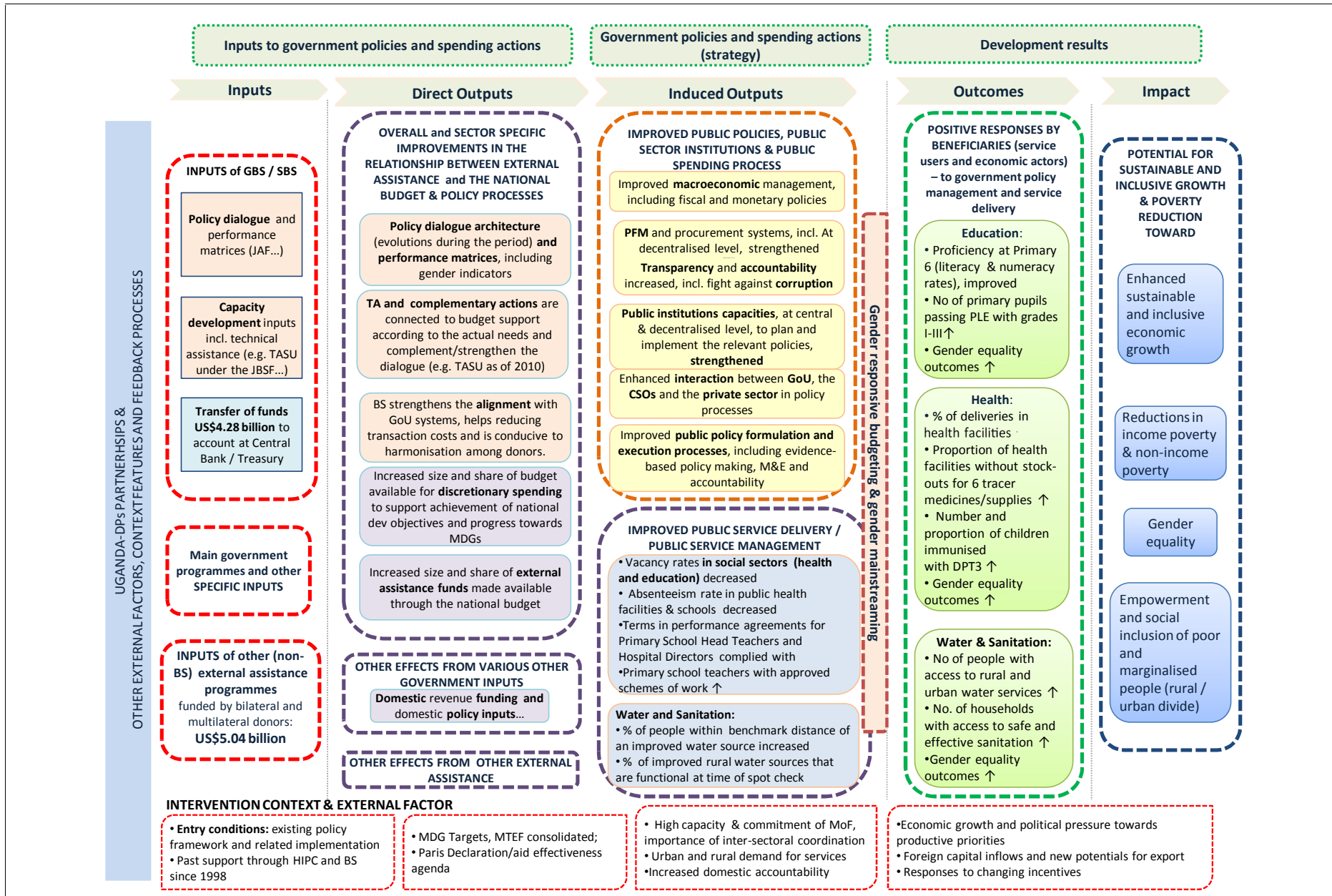
Two different surveys have been carried out in the framework of this evaluation, thereby integrating the methodology with new research tools:

- **eSurvey:** an online survey has been addressed to the key stakeholders (government, DPs and civil society representatives) to collect their respective opinions on some of the most important issues dealt with in the Step 1 evaluation questions;
- **Field survey:** a survey carried out in eight districts has complemented the documentary information and the direct observations of the experts on the specific conditions of the frontline service delivery.

### 3.4 The Intervention Logic

The Figure below shows the overall Intervention Logic used in this evaluation. It highlights the causal links among the different elements in the causal chain.

Figure 4 Overall intervention logic



### 3.5 List of the Evaluation Questions

Within this framework, ten evaluation questions (EQs) have been formulated based on the extensive discussion of the relevance and focus of BS under evaluation as well as their sectoral focus. The table below lists these EQs and indicates the link with the overall intervention logic.

Table 2 Overview of the Evaluation Questions

No.	Scope of Evaluation Question	Step/Level
EQ 1	Relevance and design of BS operations	Step 1, Level 0→1
EQ 2	Direct effects of BS financial and non-financial inputs	Step 1, Level 2
EQ 3	Quality of macroeconomic management	Step 1, Level 3
EQ 4	Quality of Public Finance Management (PFM)	Step 1, Level 3
EQ 5	Level and composition of public spending / allocative and operational efficiency at both central and local levels	Step 1, Level 3
EQ 6	Policy formulation and implementation processes	Step 1, Level 3
EQ 7	Governance / accountability including anti-corruption	Step 1, Level 3
EQ 8	Outcomes and causality analysis in the Education sector	Step 2, Level 4
EQ 9	Outcomes and causality analysis in the Water sector	Step 2, Level 4
EQ 10	Outcomes and causality analysis in the Health sector	Step 2, Level 4

As highlighted in the table below, the analytical framework used combines the EQ-based approach of the OECD-DAC methodological guidelines to evaluate budget support and the objective-based approach of the IEG for strategic evaluation.

Table 3 Cross-linkages between the Step-3 OECD-DAC approach to evaluate budget support (EQ-based; first column) and the IEG approach (objective based, project; remaining columns)

Questions (Step-3 Analysis)	Relevance of objectives and design	Efficiency	Policy achievement (efficacy)	Short and long-term impact	Risks to development results	Government performance	Donor performance	Lessons and recommendations
EQ1 – Relevance and Design of BS	✓✓				✓		✓✓	
EQ2 – Direct effects of financial and non-financial inputs		✓✓	✓		✓	✓✓	✓✓	
EQ3 – Macro-economic management		✓✓	✓✓	✓	✓	✓✓	✓	
EQ4 – PFM		✓✓	✓✓		✓	✓✓	✓	
EQ5 – Allocative and operational efficiency of public spending		✓✓	✓✓		✓	✓✓	✓	
EQ6 – Policy formulation & implementation processes		✓✓	✓✓		✓	✓✓	✓	
EQ7 – Governance & Accountability		✓✓	✓✓	✓	✓	✓✓	✓	
EQ8 – Education	✓			✓✓	✓	✓	✓	
EQ9 – Water	✓			✓✓	✓	✓	✓	
EQ10 – Health	✓			✓✓	✓	✓	✓	
Synthesis	✓	✓	✓	✓	✓	✓	✓	✓✓

✓✓	The criterion is largely covered by the EQ
✓	The criterion is partially covered in the EQ



## 4 Main findings and responses to the evaluation questions

### 4.1 Step 1

#### 4.1.1 Evaluation question 1

##### EQ1 - Relevance and Design of BS

*To what extent did the design of the budget support interventions respond to the specificities of the political, economic and social context of Uganda, to the government's policy and to the aid framework?*

##### Background and context

Within the 10-year period covered by the evaluation (2004-2013), it is possible to identify three different phases of budget support to Uganda. This periodicity is important in that it coincides with important changes in the relations between the donors and the government, coordination, and the level and quality of policy dialogue underpinning budget support.

- **Phase one (2004-2008) or “pre-JBSF period”<sup>10</sup>**: this sub-period coincides with the last period of implementation of the GoU Poverty Eradication Action Plan (PEAP).
- **Phase two (2009-2012) or “JBSF period”**: this sub-period coincides with: i) the launching of the National Development Plan (NDP); ii) the coming together of all BS DPs under the umbrella of the Joint Budget Support Framework (JBSF); and iii) a partial shift back to projects by DPs.
- **Phase three (2013-ongoing) or “HLAM period”**: although still under the JBSF, this sub-period marks the development of the High Level Action Matrix (HLAM) in response to the total freeze (in some cases, only temporary) of BS decided by the donors in FY 2012/2013. This took place following the corruption scandal involving the diversion of donor funds earmarked for the recovery of Northern Uganda.

##### Main findings<sup>11</sup>

*Alignment of objectives to GoU and DPs strategies (see also Volume 2: JC1.1, JC1.2 and JC1.4)*

Overall, BS operations were very much aligned to the development goals and objectives as set out in the various country assistance strategies of DPs and policies as outlined in statements from their HQs. In addition, there is a strong degree of correspondence between the focus and results outlined in the BS documents and the stated objectives of the GoU's development strategies (PEAP and NDP).

The strong degree of correspondence of objectives is also evident when looking at the three focal sectors:

- In the education sector, the core objectives of BS operations reflect evolving GoU priorities and needs with the support to Universal Primary Education (UPE) focusing on the need to increase the number of children in primary school and increase the education levels of the population in order to raise skill levels and productivity and therefore economic potential. The main objectives outlined in the PEAP and NDP were reflected in the ESSP and the revised ESSP, which was reworked in order to include Universal Post-Primary Education (UPPET) objectives. Similarly, there was consistency between goals and indicators in BS PAFs and those in the NDP, PEAP and sector policies.
- In the health sector, BS has supported the development and implementation of the Health Sector Strategic Investment and Plans - phase I (2005/06-2009/10) and phase II (2010/11 – 2014/15). These sector plans set out the overall direction of the GoU's plans for the health sector, including a defined set of priorities and targets for which achievements have been reported annually in the Annual Health Sector Performance Reports (AHSPR).
- In the water and sanitation sector, there is full alignment of BS operations with GoU's sector priorities and country needs which is explicitly and clearly visible in light of the adoption of a sub-set of the golden indicators used to assess sector progress by the GoU in the BS assessment performance frameworks.

However, while gender mainstreaming and equality were an integral part of DPs' *overall* goals and objectives, this has not been consistently incorporated in the design of *specific* BS operations. None of

<sup>10</sup> The DFID Review of Budget Support to Uganda 1998-2012 (ODI, 2014), which covers a broader time span, also includes an additional phase (1998-2001) which is characterized by the provision of SBS in connection with the Poverty Eradication Action Plan (PEAP) and the Poverty Action Fund (PAF).

<sup>11</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.



the bilateral BS financial agreements reviewed refers to gender equality as a key BS objective. Nor do the performance matrixes include gender-specific indicators beyond the use of gender disaggregated data to monitor performance of selected indicators in the social sectors (e.g. in education and use of maternal health and maternal mortality indicators in the health sector).

Moreover, the alignment of most donors to the World Bank's PRSCs in the pre-JBSF period did not always allow to adequately reflect the specific priorities supported by some of the individual DPs. For instance, DFID strategy showed a specific emphasis on the creation of an improved investment framework while the World Bank country assistance strategy showed a particular focus on PFM. In the JBSF period, this problem was overcome with the articulation of the JAF in four sections<sup>12</sup> and its emphasis on the four underlining principles which allowed taking into account differing DPs' priorities.

### *Relevance of design (Vol. 2: JC1.3)*

BS inputs (dialogue and capacity building) were also generally adapted to address the specific, identified development bottlenecks. The broad links between BS objectives as reflected in PEAP and NDP and BS inputs are reasonably articulated. Links with the results and M&E frameworks are comparatively weaker in the earlier part of the period under review but strengthened in the JBSF and HLAM period. Also, because some individual programmes targeted very specific elements of the PEAP/NDP agenda, while well aligned, tended to show weaker links between objectives, inputs, and M&E indicators.

The policy dialogue has focused on the MoFPED as the main counterpart and the key sectors in the pre-JBSF period. By contrast, it focused on the OPM and the overall policy coordination across many sectors in the JBSF period.

BS design and complementary actions have given sufficient emphasis to the risks related to PFM and significant capacity development inputs have been provided in this area, through the Financial Management and Accountability programme (FINMAP) and some World Bank expenditure reviews. The same emphasis has not been given, however, to the risks related to the actual implementation, especially at local level. In this area, capacity development inputs have been limited to a World Bank support programme to local governments and other scattered inputs.

Despite the alignment of objectives on paper and the elements of convergence on some sector issues highlighted above, overall priorities pursued by the GoU on the one hand and by the DPs through BS on the other, started to diverge in practice since the early 2000s.

The GoU gradually shifted national investment priorities toward productive sectors and periodically increased public administration expenditure during the electoral cycles. This has been complicated by the proliferation of districts and the erosion of the local revenue tax base. At the same time, despite many policy pronouncements and targets to the contrary, domestic revenue mobilization remained low. Moreover, beyond many practical signals, the GoU explicitly stated – through the issuing in 2003 of the revised Partnership Principles by the MoFPED – that DPs should no longer expect to see an additionality effect of the BS funds in the different sectors. GBS was expected to help GoU to address, with enhanced flexibility, the new economic and financial challenges.

The DPs supported GoU's preference for GBS and a more flexible use of BS, which remained substantial. But the relevance of this design and continued large BS volumes has been undermined by "moral hazard" suggested by stagnant domestic revenues and persistent inefficiencies in public expenditure with attendant risks for the efficient use of the BS funds as well. Simply put, in the environment of plentiful external BS, there was little incentive for the government to implement its declarations on increasing government revenues nor to reduce waste and inefficiencies in its expenditure programmes. After all, the design of the results framework of BS itself had weaknesses and some actions and indicators were not sufficiently results oriented. More directly, much more emphasis in design was on upstream elements and dialogue, ensuring BS expenditure spending and consultation and consensus building and less on impact, implementation, and development outcomes. In this context, following requests from their headquarters to focus on new priorities, the DPs became increasingly concerned about issues related to corruption and human rights with a view to limit the risk of new events that could prove unacceptable for their respective stakeholders and public opinions.

These developments in the cooperation context translated into significant changes in the framework for delivering BS. The establishment of the JBSF and the related Technical Assistance Support Unit in 2008 responded to the new challenges created with the introduction of the GBS but also to the objective of strengthening the mutual accountability by: i) increasing the DPs harmonisation and alignment,

<sup>12</sup> Underlying principles: Broad progress in areas of human rights, democracy, peace and stability in the region;  
Section I: Preconditions for effective and efficient implementation of government policies.  
Section II: Cross-cutting reforms in the areas of governance and institutional restructuring.  
Section III: Sector specific performance. See Volume 2, JC 1.3 for further details.

ii) introducing a stronger focus on transparency, human rights and accountability, and iii) at a later stage, simplifying the PAF.

The “JBSF period” saw a shift from the assessment of performance largely based on the PRSC matrix to one based on the JAF, which explicitly incorporates governance issues within the BS framework in the form of underlying principles focused on democracy, human rights, rule of law and access to justice.

The set-up of the JBSF and the JAF responded to some of the key lessons identified during the previous phase of BS in the country, and allowed to increase donor harmonization and increase country ownership. At the same time, other lessons learnt with regards to: i) excessive overloading of the assessment matrixes; ii) need to place more emphasis of the identification and measurement of results; and iii) need to strengthen the link between the cross-cutting reform agenda and sectoral reforms were also progressively taken on board through the development of the successive JAFs.<sup>13</sup>

The JBSF and JAF period also saw a shift in the management of BS on the GoU side from the Ministry of Finance to the Office of the Prime Minister. This change, although driven by internal GoU processes in light of the coordinating role within GoU held by the OPM, well responded to the DPs desire for inclusion of broader governance issues within the BS dialogue, issues which fell beyond the remit of the MoFPED.

Such changes in the BS design and cooperation architecture have addressed some of the problems mentioned above. In particular, they have increased the coordination among DPs and have elevated the dialogue at the highest decision making level, thereby improving the alignment between GoU and DPs. Also, the policy matrixes have gradually improved in concreteness and quality of indicators. But apparently, these changes have not resulted in adequate mechanisms and tools to analyse and support the actual *implementation* (including financial and technical capacities) at sectoral and local level.

The JBSF phase also saw a further divergence of expectations. Interviews and documentation reviewed record concerns from both sides. On the one hand, the Government questioned the inclusion of underlying principles within the JAF framework, asked for clear indicators against which performance could be clearly assessed, and raised the issue that the JAF did not adequately reflect GoU priorities and was not sufficiently aligned with annual performance commitments in Budget Framework Papers (BFPs). On the other hand, DPs expressed concern over progress on governance and corruption (‘questionable commitment to upholding the rule of law and the protection of constitutionally defined human rights’, lack of compliance with pre-conditions on anti-corruption actions as foreseen in both JAF 1 and JAF 2), increasing expenditures on defense (including the off-budget purchase of fighter jets in 2010), lack of “*net improvement in performance in the education and water and sanitation sector indicators since JAF 1*”, and continuing diverging GoU budget priorities vis-à-vis donors’ interests.<sup>14</sup> These differences over the underlying principles and public expenditure priorities further increased the GoU-DP distance within the existing higher level dialogue structures and show how—despite the formal convergence of objectives on paper—priorities pursued diverged in practice.

Despite these frictions, DPs failed to take coordinated action in response. In general, this phase is characterized by a strong ambivalence and lack of consensus on the DPs side between conflicting DP views and objectives of (i) supporting continued poverty reduction actions by funding the GoU budget and (ii) sending strong signal about disagreements with some objectives and outcomes by withholding aid. This ambivalence led to uncoordinated, individual DP cuts in budget support rather than to a long-term change in the coordinated approach to the provision of aid. It is only in 2012 that JBSF DPs jointly decided to suspend *all* budget support disbursements in response to the publication of the special investigation into financial management at the OPM released by the Auditor General showing that approximately USD 15 million of donor funding in support of recovery in Northern Uganda had been “misappropriated”.

The third sub-period, marked by the development of the High-level Government Financial Management Reform Action Matrix (HLAM) in November 2012, marks the resumption of dialogue on budget support (as of mid-2013) based on the progress achieved under HLAM, because of the GoU agreed corrective actions although with some concerns regarding selected key results. At the same time, inconsistency of

<sup>13</sup> The JAF links these cross-cutting constraints to efficient service delivery in areas such as public financial management, public service management and anti-corruption, to sector-specific reform needs in the four JAF target sectors: health, education, transport and water and sanitation. By tackling these broader sector governance and institutional constraints such as administrative and financial systems and procedures, service delivery units will be better able to deliver quality services to the Ugandan population. It is important to note, however, that the number of indicators and actions included in the JAFs had been progressively growing before being drastically reduced with the JAF 5 to 29 indicators. (Previously, 42 indicators and 56 actions under JAF 1, became respectively 44 and 79 under JAF 2, then 66 and 95 under JAF 3, and 74 and 71 under JAF 4). Source: JAF Appraisal Reports.

<sup>14</sup> Quotes taken from the JAF 2 Appraisal cover letter of 16/12/2010.

DPs' reactions resumed. While continued commitment and progress in the fight against corruption was a pre-condition for all, decisions to restart budget support would be taken by individual DPs. As a result, some DPs, despite expressing disappointment on not having achieved more with the Matrix, decided that further pressure would not yield any better results and decided to resume budget support disbursements, dependent on performance.

What kind of *alternative choices* could have limited the specific risks encountered during the implementation of the different types of BS (particularly GBS) over the evaluation period? Several considerations could be relevant in this regard.

First, the adoption of a *project-only aid modality* instead of BS would have limited the total cost but not necessarily individual project risks of an inefficient and non-transparent use of the resources. But it would probably not have ensured a high-level or comprehensive multi-sector or sectoral dialogue or more coherent policy development. As a result, such project-only modality would have remained fragmented with potentially substantial relevance, coherence, and sustainability problems. It would remain subject to fiduciary and governance risks, albeit at lower volumes of aid per year implicit in projects-only strategy.

Second, fewer but well targeted *SBS programmes in the focal sectors and PFM*, as experienced in the previous period and later-on in W&E, perhaps would have been a better tool to enhance sectoral dialogue and improve the implementation of sector policies. This could have avoided the negative funding implications of the trade-offs between GoUs and DPs priorities. Their potentially stronger link with implementation would have also facilitated the complementarity with significant capacity development support, especially at local level. To be sure, sector BS would not have necessarily contributed to the building of a national development strategy and a comprehensive governance system as is the aim of GBS. But with hindsight, this less ambitious BS approach coupled with stronger emphasis on implementation and some of the missed opportunities in the policy agenda would have been a more relevant and realistic approach.

### Summary answer to the evaluation question

The relevance of BS was overall substantial, but it had important gaps and it diminished over time. The design of BS operations was very much aligned to the specific DPs' strategies. It has also reflected different phases of the country context. Also, on paper, there is a strong degree of correspondence between the stated objectives of the GoU's development strategies (PEAP and NDP) and the focus and results outlined in the BS documents. Coordination among donors, extensive process of consultation, and development of M&E are strong elements that must be recognized in any assessment of the overall relevance of BS.

In a nutshell, when DPs acted in a coordinated fashion and when their objectives were aligned with GoU, the BS worked relatively well. And when coordination and alignment suffered, BS relevance, process, and results deteriorated.

The first sign of these problems appeared already in the early 2000s when priorities pursued by the GoU on the one hand and by the DPs through BS on the other started to diverge. The GoU gradually shifted national expenditure and investment priorities toward productive sectors. This has been accompanied by periodic increases in public administration expenditure in connection with the electoral cycles, proliferation of districts, and the erosion of local revenue tax bases as well as low overall revenue mobilization.

The DPs supported GoU's preference for GBS and the move away from additionality and a more flexible use of the modality. The establishment of a new budget support framework in 2008 (JBSF) strengthened DPs coordination and their high-level dialogue with GoU, but increased the distance between the BS dialogue and the actual policy implementation at sectoral and local levels. However, large budget support inflows against stagnant national revenues and persistent inefficiencies in public expenditure might have adversely affected incentives for efficiency, including in the use of the BS funds. The need for stronger protection of funds, implementation, and enhanced capacity development was overlooked (see also EQ 5, section on '*Evolution of pro-poor allocations and actual disbursements at central and decentralised level*'). With hindsight, a less ambitious, sectoral BS approach earlier in the JBSF period, coupled with stronger emphasis on implementation and some of the missed opportunities in the policy agenda (local and overall revenue mobilization) and greater capacity building especially at the local level, might have been a more relevant and realistic approach. It might have also provided stronger incentives for domestic revenue mobilization, greater efficiency in the public expenditures (including the use of BS funds), and results on the ground.

#### 4.1.2 Evaluation question 2

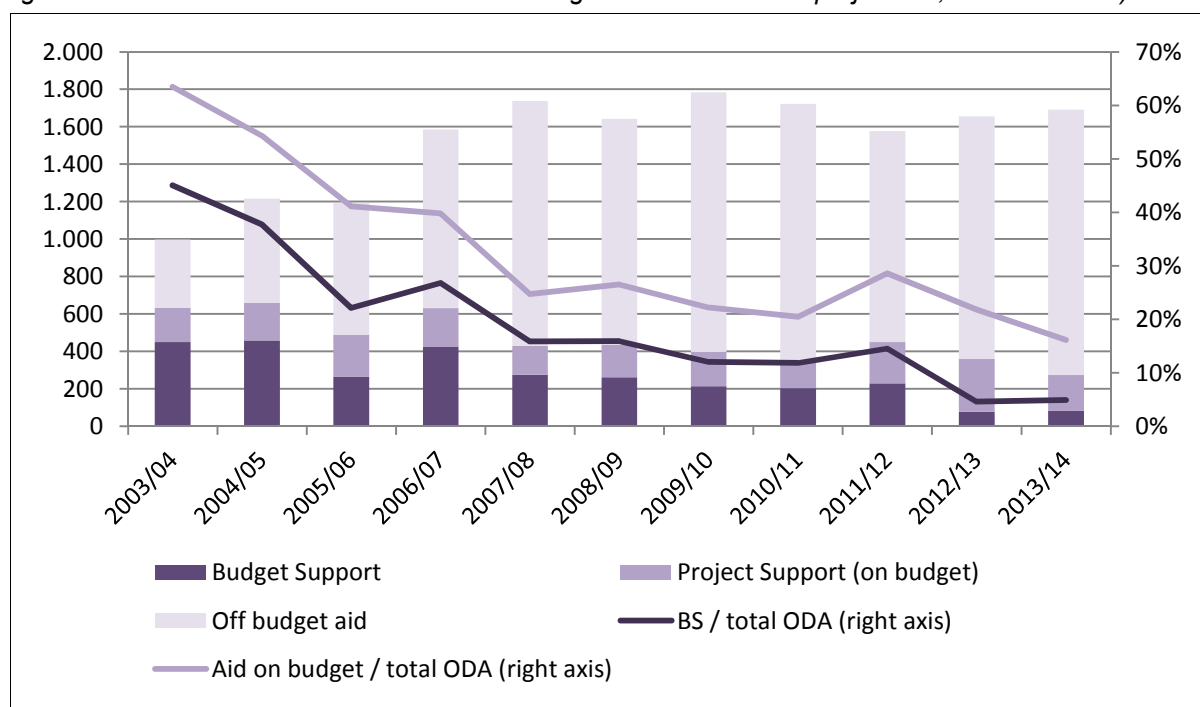
##### EQ2 - Direct effects of financial and non-financial inputs

*To what extent have the financial and non-financial inputs of budget support contributed to the establishment of an improved aid management framework?*

##### Background and context

The period covered by the evaluation (2004-2013) saw a very significant variations in the number of donors providing BS (with a reduction from 12 to 6<sup>15</sup>), in the overall amounts of aid provided in the form of BS as well as in the share of BS of total GoU public expenditure.

Figure 5 ODA and amount of aid on budget of which BS and project aid, in USD million)



Note: Aid flows (bar) against primary axis and share of total ODA against secondary axis.

Source: own elaboration based on data from MoFPED, Finance Statistics and OECD statistics.

The pre-JBSF and JBSF periods saw a strong dominance of BS over other forms of aid, with BS accounting on average for over 66 and 58 percent, respectively, of all annual aid recorded on budget. The situation is reversed during the HLAM period (2012/13-2013/14) with the freeze (in some cases only temporary) of BS by all JBSF donors.

The entire 2004-2013 period also saw an increase of more than 50 percent in overall ODA to Uganda (from USD 1 billion in FY 2003/04 to USD 1,69 billion in FY 2013/14). But it also saw a reverse trend in the absolute amounts of aid recorded on budget by the GoU, which steeply declines from an initial USD 634 millions in FY 2003/4 to less than half that amount by FY 2013/14. In particular, the relative share of on-budget aid vis-à-vis total ODA declines from 64 percent at the start of the period to just 16 percent at the end. Interviews and documentation link the significant decrease in the shares of aid going to the government sector vis-à-vis off budget aid flowing directly to non-state actors, research institutes, foundations, private sector or project aid implemented directly by the DPs to 'governance challenges' and to the shifting and deteriorating partnership between DPs and GoU over the period analysed.

##### Main findings<sup>16</sup>

###### Aid under the GoU budgeting process (Vol. 2: JC2.1)

Budget Support has ensured a substantial amount of resources to finance development expenditure in the national budget over the whole evaluation period (see figure below). In FY 2003/04, BS covered 6.5 percent of GDP and 27 percent of total public expenditure (PE), while on-budget projects covered

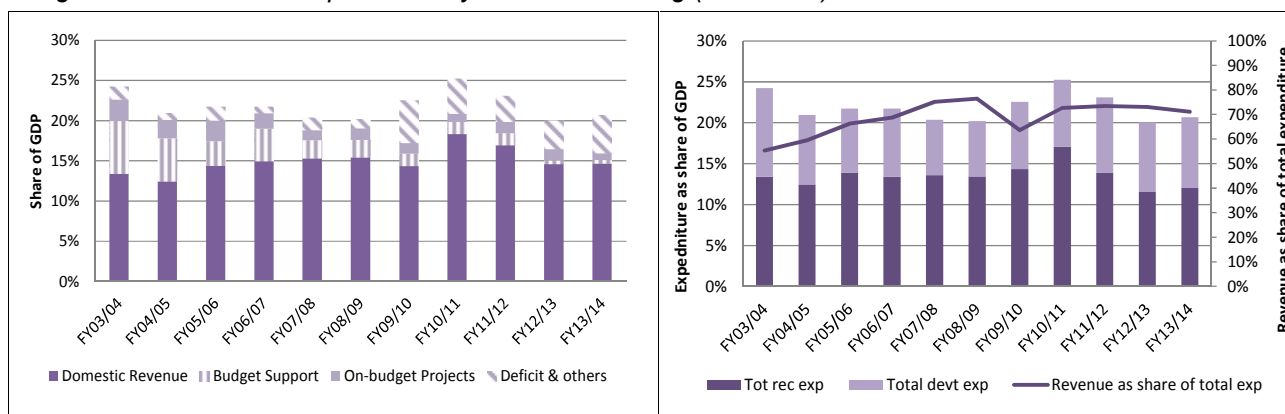
<sup>15</sup> Out of the twelve BS DPs (AfDB, Austria, Belgium, Denmark, EU, Germany, Ireland, Netherlands, Norway, Sweden, UK, World Bank), the AfDB, Ireland, Netherlands, Norway, Sweden and the UK have decided to stop providing BS.

<sup>16</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

another 2.7 percent of GDP and 11 percent of PE. In the same fiscal year, BS covers 70 percent of development PE (excluding wages, non-wage current expenditure and interests' payments), while on-budget projects cover the remaining 30 remaining. This level of BS funds dramatically shrinks already in FY 2005/06 (BS=3 of GDP), then it collapses a first time in 2009/10 (BS=1.6 percent of GDP) and a second time in 2012/13 (BS=0.4 percent of GDP).

After 2006/07, the on-budget projects also start to decline, with a minor recovery in 2012/13. Consequently, the total PE has partly shrunk as a percentage of GDP (from about 24 percent in FY 2003/04 to 21 percent in FY 2009/10) and, since the revenue has not increased, deficit financing has grown. Importantly, the decline in DP budget support has also coincided with the global recession that put huge pressure on DP governments' budgets and weakened the willingness of their constituencies to provide high levels of aid under conditions of domestic fiscal problems.

Figure 6 GoU expenditure by source of funding (% of GDP)



Source: own calculation based on MoFPED, World Bank and OECD National Accounts.<sup>17</sup>

Despite the reduction of BS flows, however, from FY 2005/06 to FY 2008/09, BS still covered between 40 percent and 30 percent of development PE, with on-budget projects covering a bit less. Only in the last period from FY 2011-12 (HLAM), domestically financed development expenditure exceeded the amount financed through BS and on-budget projects.

The reasons that underlie the progressive reduction of BS levels are related to the reductions in the overall *amounts committed* by BS DPs and the shortfalls in actual *disbursements* by DPs vis-à-vis the committed amounts.

The deterioration in the partnership between GoU and DPs has affected both the overall levels of BS flows and the predictability of BS disbursements (the latter has also been affected by delays due to procedural issues) as evidenced by the delayed or cancelled donor budget support disbursements due to government failure to undertake agreed actions or meet agreed performance indicators. Examples include cuts of USD 68 million applied by five bilateral donors in protest over democratic governance issues in the run-up to the 2006 elections; the withdrawing of the Netherlands from BS in 2011 due to lack of results in the areas of corruption, education and justice, and similar action taken by Norway shortly after; a GBP10 million cut applied by the UK in FY 2003/04 in reaction to excessively high increase in defence spending; continuous withholding by the EU of all annual performance tranches of the MDG contract due to lack of fulfillment of agreed conditions; and finally, the freeze by all 10 BS DPs of BS disbursements in reaction to the OPM scandal whereby only 23% of forecasted amounts was actually disbursed in FY 2012/13.

Documentation and data reviewed consistently point to low levels of predictability of budget support, with the PEFA reports indicating a marked deterioration (from a C+ score in 2005 to D in 2008 and 2012). Interestingly, the results of the online survey conducted in the framework of the evaluation indicate that budget support was perceived as fairly predictable by the majority of respondents (68 percent) with DPs viewing it as less predictable than GoU respondents. This is due to the robust strategy put in place by the GoU (with the IMF and Central Bank) to cushion spending plans from budget shortfalls. As a result, budget support cuts applied by DPs in reaction to governance and performance issues did not appear to have affected budget implementation substantially, with the exception of FY 2012/13 (reduction in outturns vis-à-vis budgeted amounts). That said, they did enable

<sup>17</sup> Sources: MoFPED, Annual Budgetary Central Gov Finance Statistics data; World Bank National accounts data, and OECD National Accounts data files. Current expenditures include: wages & salaries, other recurrent expenditure, and interest payments.



donors to express their dissatisfaction over government actions and sent a clear signal to their national constituencies.

### *Frameworks for policy dialogue (Vol. 2: JC2.2)*

The pre-JBSF period is already marked by an articulated structure for policy dialogue largely based on pre-existing sector and budgetary forums (Sector Working Groups - SWGs), the PRSC Steering Committee, and various other dialogue fora including: the Public Expenditure Review; the Partnership for Democratic Governance / Donor Democracy and Governance Group; and the EU's Political Dialogue with Uganda framed by the Cotonou Partnership Agreement.

With the JBSF, structures for dialogue become more articulated and are managed through the existing government coordination framework at different levels (Prime Minister; Head of Public Service/Secretary to Cabinet; Permanent Secretary in the OPM; and in SWGs). In addition, JBSF DPs meet through both Heads of Mission, and technical and policy dialogue taskforce meetings. Below the level of monitoring by OPM and MoFPED, sector performance is also monitored through the SWGs, which coordinate closely with the JBSF technical and policy dialogue taskforce. These structures remain unchanged under the HLAM.

### *Content of policy dialogue (Vol. 2: JC2.2)*

Overall, there is strong evidence that policy dialogue taking place at the formulation and implementation stages of BS included substantive policy matters (ICRs of PRSCs, JAF Appraisal Reports). Irrespective of this and of the comprehensiveness of the dialogue fora, varying degrees of interest, quality and effectiveness of dialogue can be witnessed depending on the issues at stake and on the degree of alignment between GoU and DPs interests over the period.

As of the early 2000s (pre-JBSF phase), the dialogue and partnership shifted from a strong focus on the expansion of basic services to an increasing focus on the efficiency of spending across the entire budget, and associated legal and other reforms to improve public service management and accountability. Documentation and interviews alike report that BS (most of which hinged on the PRSCs during this period) proved very effective in providing a forum to discuss cross-cutting issues such as issues related to public service reform and decentralization. At the same time, however, it is during this period that divergences between GoU and DPs priorities which had started to manifest themselves prior to 2004 become more marked, putting an end to the earlier days characterized by common expectations and underpinned by a strong partnership.

Asymmetries in the relative interest of the two parties to dialogue on the different issues can be traced back to a number of issues: i) DPs' reluctance to adapt the budget support dialogue framework to take into account the shift in government priorities towards economic infrastructure and growth with ensuing divergences over budgetary priorities which also extended to spending on defence and public administration;<sup>18</sup> ii) the GoU decision to end the additionality of BS which limited the prospects of increased sector expenditure and, in turn, reduced the sectors' incentive to engage in dialogue with budget support donors; iii) the influence of political concerns and high-ranging powers of the President as exemplified for example by the announcement of universal secondary education and the decision to abolish the graduated tax in 2006; and iv) growing DPs governance concerns – particularly in relation to corruption and human rights – which were not met by an equal interest by the GoU.

According to most interviewees, while the JBSF allowed to bring together all partners as a group and talk to government collectively, it also carried with it a broadening of themes and rising expectations, defined as '*unrealistically high*' by most interviewees. The different sections of the JAF brought within the dialogue fora a multitude of issues and the role of governance issues in policy dialogue become an issue of contention. While fora for policy dialogue remained active and well-structured as attested by the minutes of meetings, interviewees indicated that in some cases *all actors went through the motions*, with Policy Coordination Committee meetings becoming a formality with limited opportunity for real debate and resolution of differences.

At technical / sectoral level, DPs who support donor engagement in different sectors, reveal concerns about variation in the quality of discussion in Sector Working Groups (SWGs). Generally however it is recognized that the JBSF provided the opportunity to link up dialogue with the Government Annual Performance Reports (GAPRs) which was highly appreciated by DPs and GoU alike as it provides a

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<sup>18</sup> DPs did, indeed, support investment projects and productive sectors. But they often did so through alternative aid modalities. The World Bank aligned its strategy to the Government and supported its objectives in financing infrastructure through investment projects, in addition to providing reduced volumes of budget support. Similarly, the EU provided significant support to the productive sectors, whereby transport and agriculture / rural development constituted key pillars of the intervention strategy over the whole evaluation period; support was, however, provided in the form of programme aid rather than budget support.



framework within which annual sector performance is assessed, emerging issues are discussed, and agreements are reached on new undertakings and quantitative targets at Joint Sector Reviews.

Finally, following the freeze of BS in reaction to the OPM scandal, dialogue was re-launched in July 2013 following the development of the HLAM by MoFPED and progress recorded against the seven key results action taken to tackle key issues articulated in the matrix.<sup>19</sup>

Just as gender did not feature prominently in the design of the programmes (see EQ 1), it also played a minor role in the policy dialogue processes linked to BS. Review of documentation allowed to uncover only one instance where the implementation status of gender mainstreaming and equity policies is treated (JAF 4 Appraisal report). A further exception is found in the water and sanitation sector where it is reported that BS, through policy dialogue, did push for addressing gender issues in the sector though implementation of gender awareness while gender promotion still lags behind.

### *Accompanying measures (Vol. 2: JC2.3)*

As seen under EQ 1, no clear trends can be identified among the different DPs approaches with regards to provision of complementary capacity building measures. During the pre-JBSF phase, capacity development assistance followed the shift towards greater emphasis on efficiency of spending across sectors (in line with the same shift witnessed in the focus of BS operations). As a result, project support and TA increasingly focused on systems such as the IFMIS (Integrated Financial Management Information System), on the role of external audit for greater ex post accountability and on M&E functions.

Complementary project support played a big role under section II of the JAF (cross cutting technical reforms) through projects such as the Financial Management and Accountability Programme (FINMAP)<sup>20</sup> and the Public Sector Reform project which in some cases was explicitly targeted to support the achievement of JAF actions. Complementarities are also evident between BS operations and support provided by both DFID and the EU to enhance GoU's M&E functions through the provision of cross-institutional technical and financial support to the three organisations (OPM, MoFPED and UBOS) responsible for the design and/or implementation of Government's M&E functions. Efforts made by the World Bank and other donors to coordinate their capacity-building support to PFM in Local Governments through the second Local Government Development Project (LGDP), second Economic and Financial Management Project (EFMP-II) instead did not allow to fully develop the potential complementarities between BS dialogue (and conditions), and project support.

While the introduction of the TASU in 2010 has streamlined some of the processes regarding the identification and carrying out of studies and underlying analytical work, the TASU and more generally the JBSF did *not* succeed in promoting a clearly established framework to ensure the coordinated provision of TA and capacity building measures in connection with BS operations.<sup>21</sup> As a result, similar concerns and critiques to the lack of effective coordination between projects and BS remain during the JBSF period.

At sector level, while some donors explicitly provided technical assistance to complement their SBS (e.g. the Swedish and Danish in Water and Sanitation), in most other cases, TA and capacity-building modalities and strategies were not necessarily integrated as part of sectoral strategies. As a result, evidence from the sectors is mixed.

Under the period covered by the evaluation, there was little capacity building support provided in the form of complementary measures in the **education sector** (Ireland provided TA to HIV AIDS as part of the SBS package while Belgium provided complementary flexible TA for policy and analysis). Similarly, in the **health sector**, there is evidence of very limited accompanying measures, such as TA, analytical products, reviews and studies and no clear evidence of systematic cross-fertilization between HSBS

<sup>19</sup> The JAF 4 appraisal report (August 2013) mentions an “*anomalous*” quality and relevance of the dialogue over the reporting period due to the intense focus on the high-profile corruption scandal. The report also highlights: “*a constructive result-based policy dialogue [which contributed.] to timely action in the areas of repayment of misappropriated funds, implementation of recommendations on the IFMIS, and the appointment of two deputy IGGs. [... However ...] less progress was made on administrative sanctions and criminal prosecutions of officials implicated in the misuse of public funds.*”

<sup>20</sup> FINMAP is financed by GoU and development partners through a basket fund established by a memorandum of understanding between GoU and Ireland, Norway, Sweden, the United Kingdom, and (from 2008/09) the European Commission. The World Bank supports specific FINMAP activities.

<sup>21</sup> A certain ambivalence can be seen with regards to the appreciation of the work carried out by TASU. On the one hand, the JBSF DPs highly value the work done on fiscal analysis and commentary, budget cycle analysis, the many technical notes produced on issues linked to the JAF process and to the JBSF policy dialogue including policy proposals. On the other hand, while the quality of the work was recognized and appreciated, questions were raised by most DPs with regards to linkages between the work carried out and the priorities of the DPs as well as on the lack of interactions between TASU and bilateral DPs.

operations and other programmes and projects by DPs. At sector level, best practices can be seen in the **water** and **sanitation sector** where as of the pre-JBSF period, budget support was provided in parallel to contributions to the Joint Partnership Fund (JPF), a pooled project-like funding mechanism which allows to fund capacity building and innovative activities which would not be otherwise funded. The year 2008 sees the development of the Joint Water and Sanitation Sector Programme Support (JWSSP), which included a highly appreciated mix of complementary aid modalities (MWE, 2011). Parallel on-budget project assistance ensured the provision of TA and capacity building measures tailored through policy dialogue, to ensure responsiveness to the sector capacity development strategy.<sup>22</sup>

The results of the online stakeholder survey conducted in the framework of the evaluation confirm these findings. Respondents indicated that *'based on their experience, capacity development measures in the different sectors (either complementary or included in the budget support package) strengthened the effects of budget support'* to a fairly high extent in the areas of PFM and water and sanitation, to a lesser extent in the education and health sectors and poorly with regards to gender mainstreaming (the lowest scores). The most critical comments (but not scores) come from the DPs and NSAs categories of respondents which point to the need to better link capacity development and budget support including through the setting aside of funds to strengthen local institutions and capacities.

#### *Coordination / complementarity between BS and other DPs programmes (Vol. 2: JC2.4)*

Although donor coordination had been growing since the late 1990s<sup>23</sup>, it is in 2005 with the development of the Uganda Joint Assistance Strategy Paper (UJAS) that a harmonized approach of assistance by DPs centred on the PEAP is formalised. During this period, all BS operations were designed jointly with a view to harmonise aid transfers modalities, reduce transaction costs for both GoU and donors, and increase the predictability of budget support. That said, most BS operations also integrated additional conditions in more politically sensitive areas such as governance or human rights, and disbursement decisions were perceived as disjointed from the main evaluation and often inconsistent across donors. A review of the UJAS concluded that while increased coordination, in particular among DPs, had been achieved, transaction costs had not been significantly reduced. GoU's interest or buy-in to the UJAS was extremely limited and further reduced following BS DPs reduced disbursements over the events leading to the 2006 elections.

Partially in response to these findings, BS DPs developed a Joint Budget Support Framework (JBSF), an approach which emphasizes harmonization and alignment in line with the Paris Declaration, the Accra Agenda for Action and the Busan Partnership Principles and aimed at reducing transaction costs to the Government, increasing the predictability of disbursements, and creating mutual accountability. Under the JBSF, coordination among DPs is further increased. All BS operations hinge on a single performance framework and on a common appraisal process although each DP then draws its own conclusions with regard to actual disbursement levels. Therefore, while the JBSF did not necessarily have the desired effects in terms of predictability (although improvements in aligning disbursements to the GoU budget cycle were pursued), it did indeed contribute to reduce transaction costs to GoU by harmonizing donor policy inputs to the BS operations and related policy dialogue. At the same time however, while donor coordination greatly increased, the JBSF also entailed *"heightened transactions costs on the donor side and a degree of rigidity in the implementation framework"*.<sup>24</sup>

Results of the online survey largely confirm these findings but also highlight divergences in views between the different categories of stakeholders whereby over 50 percent of respondents from the DPs category but only 33 percent among the GoU category indicated that the international donor community coordinated *"to a great extent"* its efforts in providing BS to Uganda.

Finally, it is worth mentioning that BS both directly and through the provision of complementary measures, has contributed to improvements with regard to the development and adoption of shared M&E frameworks. The provision of TA by DFID and the EU in conjunction with efforts deployed by the GoU<sup>25</sup> led to the institutionalisation of the Government Annual Performance Reports (GAPRs) which aim at providing timely information to policy makers and implementers on previous performance and

<sup>22</sup> These also covered studies used to inform the design and formulation of the joint support programmes. Among these, the Fiduciary Risk Assessment of the Water and Sanitation Sector, and Review and Evaluation of effectiveness of Technical Assistance Support Modalities in the Water and Sanitation Sector (both in 2007), and the Identification Study and Feasibility Assessment of Options to Establish Water Supply Development Facilities - WSDF (2008).

<sup>23</sup> Donor coordination grew through the development of sector-wide approach programmes (SWAps), pooled funding mechanisms, joint sector working groups, joint missions, joint analytical work and advisory services, etc.

<sup>24</sup> TASU Mid-Term Review, 2012, p.21 and ICR of PRSCs 8-9, 2014

<sup>25</sup> In particular, the GoU developed a National Integrated Monitoring and Evaluation Strategy (NIMES) in 2003-4, which was followed by the introduction of the draft framework for M&E of the NDP.

challenges. Review of the GAPRs produced in the last years and interviews with both GoU and DPs representatives attest to the continuous improvement in the quality of the reports.

### *Counterfactual analysis*

The direct effects of the different BS components (funds, dialogue, conditionalities, and accompanying measures) varied greatly both in terms of contributions to the different results and time-wise across the different periods followed (pre-JBSF, JBSF and HLAM).

Flow-of-funds effects have been particularly strong during the first period. This has greatly contributed to increasing the amount of financial aid aligned to the GoU budgeting process although effects on predictability, in theory also strong, have been lessened by the high number of reduced or delayed disbursements. It is extremely unlikely that alternative forms of aid to GBS and SBS could have contributed as well as BS, to strengthen government policy decision processes. Further analyses (under other EQs) will show whether alternative modalities, including projects or earmarked SBS, could have better contributed to matching funds and shared development objectives, in a period in which there were growing political divergences between DPs and GoU about the spending priorities.

The contribution of BS (namely GBS) to the framework for policy dialogue has been strong and unique. The existing dialogue frameworks have progressively evolved becoming extremely articulated. Such dialogue however has not been able to forge an effective partnership between GoU and DPs, based on shared principles and priorities and has often been jeopardized by contrapositions in terms of principles. In the meantime, sector dialogue has been weakened (with the exception of W&S sector), due to the political uncertainty which has characterized the budget allocation process.

Could better results have been achieved through other aid modalities? It could be questioned whether a different balance between GBS and more focused SBS or other pooled sectoral funds might have had better effects. The centrality of BS and more specifically of GBS particularly in the later periods, in some cases diverted attention from sector specific issues with dialogue focusing on conflicting views and coordination leaving little room for discussion at the higher level for joint problem solving or targeted assistance to overcome specific constraints. Findings from the education sector for example point to the deterioration of intensity and quality of dialogue and more generally of the weakening of aid coordination frameworks as a result of the move from SBS to GBS and the discontinuation of SBS. In the water sector instead, it is reported by some that the mechanisms established at sector level (joint programme, strong dialogue in W&S) are such that even in the absence of GBS, overall policy dialogue would remain strong.

Finally, it should be noted that the centrality of GBS and the weakening of the sector wide approach in some key sectors diverted attention away from efforts to consider how remaining projects could have played a more complementary role in each sector as part of a mix of instruments. Although again, this can only be partly attributed to the form of aid in and of itself as opposed to the lack of a more coordinated approach at sector level as has happened in the water sector and / or to a more strategic approach in the design of BS programmes or TASU.

### **Summary answer to the evaluation question**

While ODA to Uganda has significantly increased (namely non-government grants) in the period considered, BS has shrunk from almost 70 percent of government development expenditure to about 4 percent, with significant reductions in 2005-06, 2009-10 and 2012-13. This evolution is linked to a deterioration of the trust between GoU and DPs and has had consequences on the level of public expenditure and on the government discretion in the budget allocation. The global crisis and related pressures on DP governments' budgets also played a role in the declining BS in the JBSF period.

The dialogue framework before the JBSF was particularly focused at sectoral level and at the level of the MoFPED. The JBSF promoted a stronger coordination of the DPs and elevated the dialogue at the level of the OPM. This improved the general performance monitoring framework and procedures, but the link with the sectors was partly lost, also for a reduced interest of the sectors in GBS and the related end of BS additionality both in theory and practice. The dialogue overlooked the implementation and focused more and more on principles and political disputes.

In the early period, TA and complementary measures focused on the efficiency of public spending. Under the JAF, important complementary actions were carried out in the PFM, public sector reform and performance monitoring areas. Other areas, such as support to local government were addressed but were not adequately connected to and prioritised through the dialogue. The establishment of TASU in 2010 enhanced the assistance to the BS dialogue process and contributed with some high quality studies and analyses namely in the fiscal area. However, it was not able to improve the access to capacity development resources in specific areas linked to the DPs and GoU dialogue.

### 4.1.3 Evaluation question 3

#### EQ3 - Macro-economic management

*To what extent has budget support contributed to the improvements in the quality of macroeconomic management, and increased fiscal space and discretionary expenditure at sectoral and decentralised levels?*

#### Background and context

In 1991-1992, the country experienced a budget funding crisis which led to a spike in inflation. Fiscal discipline subsequently received renewed attention by GoU and the institutional environment for macroeconomic management was largely re-organised with, in particular, the merging of the Ministry of Finance and the Ministry of Planning in 1995. During the 1990s, Uganda made substantial progress in liberalising the economy, establishing macroeconomic discipline, and implementing budgetary reforms. A massive expansion in basic service delivery in health, education and water took place in the late 90s. In 2000, Uganda was included in the Heavily Indebted Poor Countries (HIPC) debt relief initiative and was the first country to reach the completion point. During the same period, Uganda was increasingly being seen as a 'donor darling' and important external resources were mobilised to accompany the reforms underway in the country. Trust between DPs and GoU was high. It was based on a shared understanding of development objectives and strategies mainly focused on expanding the budgetary envelope in support of social sector service delivery which were seen as critical for poverty reduction.

#### Main findings<sup>26</sup>

##### *Macroeconomic management, fiscal management and debt sustainability (Vol. 2: JC3.1)*

Uganda's macroeconomic, and in particular, fiscal performance (measured in terms of fiscal deficits, debt levels, and debt sustainability risks) has been broadly adequate, especially during the early years of the period under review. Uganda's long-term reform and macroeconomic reform track record made it eligible for the large external debt reduction under the HIPC initiative. Following the substantial external debt reduction in the context of the HIPC completion point in 2006, Uganda's external public debt was reduced dramatically, from 43 percent of GDP to 11 percent in 2006/7. External debt was since kept at manageable levels, in part because of the continued economic growth and continued, highly concessional terms of its new external debt.

International metrics of the quality of macroeconomic policy remained favourable throughout the period of review, compared with regional benchmarks, albeit with gradual deterioration in terms of fiscal and overall macroeconomic management. Overall, macroeconomic performance and macroeconomic developments broadly mirror fiscal performance. Twin fiscal and external deficits increased over time while the pace of economic activity moderated, especially since the onset of the global recession in 2008/9. At the same time, it should be noted that basic and comparative macroeconomic indicators do not fully capture important political economy aspects of macroeconomic and fiscal performance. Increasingly frequent and politically motivated supplementary budgets undermined budget credibility and predictability (for details, see also EQ4). More broadly, there was considerable and increasing uncertainty about direction of policies arising from several sources (e.g., supplemental budgets, repeated failure to substantially raise domestic revenue mobilization).

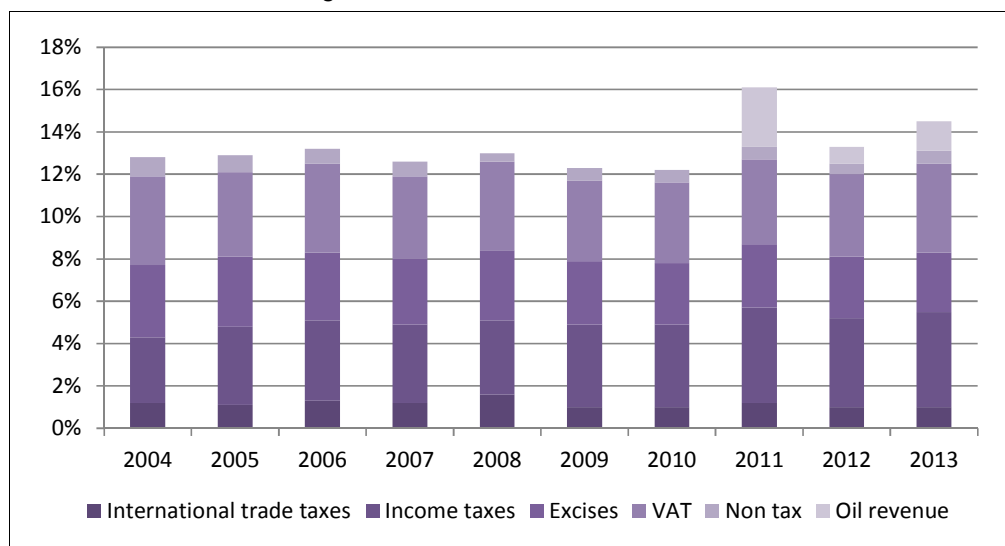
##### *Revenue mobilization (Vol. 2: JC3.2)*

Despite repeated policy pronouncements and revenue targets, as well as myriad of measures to strengthen tax administration, government revenue-to-GDP ratio remained among the lowest in the region (at about 13 percent of GDP) during the period under review. An analysis of the structure of government's revenues reveals that it has largely remained unchanged, except for the most recent addition of oil revenues (Figure 7). It would, however, be expected that key revenue instruments such as VAT and excises would rise proportionately or more than nominal income with the considerable increase in real economic activity and consumption tax base during the last decade. Technical discussions, field visits, and related analyses strongly indicate that reasons behind this poor revenue performance are in political economy of large VAT exemptions, clientelism, and culture of non-compliance with tax code, including by top public sector officials who own and operate private businesses with little or no compliance. These reasons suggest that the issue goes beyond short-term government policy. As such it can only be addressed by forceful signal and implementation of a fundamental change in the rules of the game at the top political levels.

<sup>26</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.



Figure 7 The Structure of Uganda's Government Revenues



Source: IMF.

As BS dwindled in the second half of the decade under review, the failure to increase revenue mobilization translated into rising fiscal deficits despite efforts to control them. Public expenditure came under increasing pressure, at the sectorial and local levels, contributing to deteriorating public service delivery. Still, domestic revenues did not increase. The roots of the low revenue mobilization can be traced to the political economy factors, large statutory and non-statutory exemptions, and culture of non-compliance, especially among wealthier segments of the population and the private sector, including members of parliament and government.

In 2014, in the context of drastically reduced BS and the need to control fiscal deficit, GoU has taken renewed actions to address the problem. As of 1 July 2014, Parliament approved the elimination of many VAT exemptions. In addition, several zero-ratings for some goods were eliminated and corporate income tax base was expanded. Excise duties were also increased on fuels, sugar and money transfers. However, as of writing this report, these actions are yet to translate into tangible gains in revenue mobilization. As noted above, this will require clear and forceful signals and measures from the top political level and public officials owning and operating private businesses leading by example and paying taxes on their private sector incomes.

### Expenditure control (Vol. 2: JC3.3)

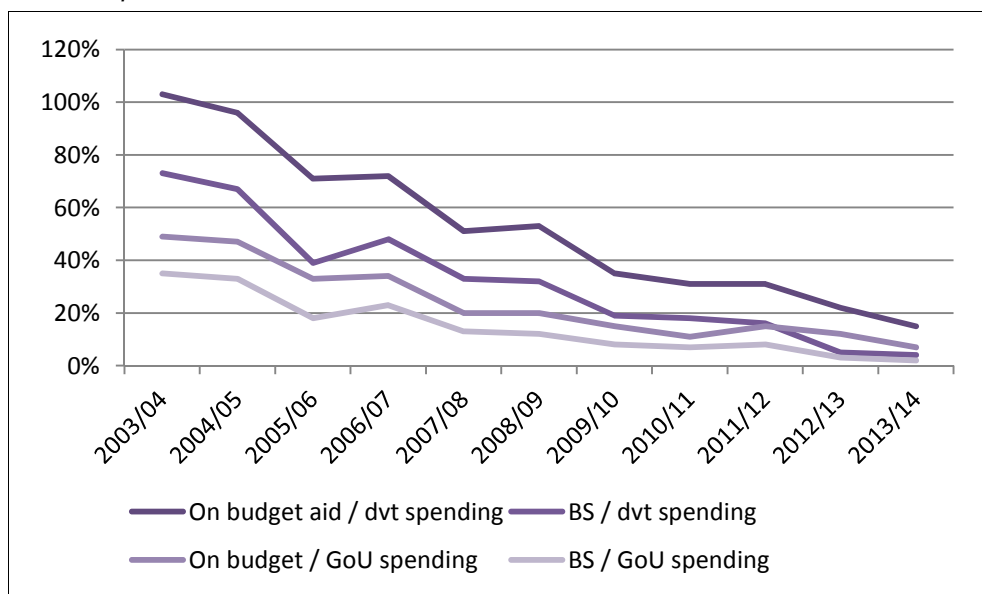
Overall, the government managed to control aggregate public expenditures, which was helped by a series of the IMF programmes, except during the periods of elections characterized by large expenditure escalations followed by sharp tightening. This suggests substantial political cycle component in the trajectory of public expenditures. The aggregate control was tighter during the period of substantial BS in the first part of the decade under review. Deviations of outturn from budgeted current expenditures were significant, especially during the periods of elections and related supplementary budgets. In the latter part of the period under review, as BS declined while revenues remained low, the government cut both current and development expenditures to keep the deficits within manageable levels. Unable to raise domestic revenues, deficits increased. Also, this translated into significantly reduced funding for social sectors (education, health, and water and sanitation) at sectorial and programme levels, which undermined service delivery. It also does not bode well for future poverty reduction dependent on new gains on access and quality in basic service delivery.

### BS contributions

Regarding the BS contribution to fiscal management, it is possible to distinguish two periods. In the fiscal years 2003/4 until 2006/7, BS amounted to almost a quarter of total expenditure, expanding the fiscal space and flexibility of the government to fund priorities broadly agreed with the development partners. Aggregate gains in fiscal space from BS, therefore, were substantial. Compared with the counterfactual of the absence of BS and realistic annual gains in domestic revenues of 0.5 percent of GDP per year, the actual BS still provided more than 4 percent of GDP, equivalent to about 20 percent in additional public expenditures than what would have been possible otherwise.



Figure 8 Aid and Budget Support as a % of GoU expenditure and as a % of Development expenditure



Source: own calculations based on MoFPED, Annual Budgetary Central Government Finance Statistics data. GoU expenditure includes both recurrent and development expenditures excluding donor funds; whereas development expenditures includes both GoU and donor funds.

Did the large BS in the early period contribute to “crowding out” local revenue mobilization? The answer is probably yes, based on a basic review of the trends in the size of BS aid relative to revenues and expenditures, as well as comparisons with relevant international experience. Uganda is unique among other African countries with substantial BS in that it (i) received exceptionally high levels of BS aid compared with revenues and expenditures in the early part of the period and, yet, (ii) failed to increase domestic revenues substantially during that period and later on. Because BS aid was always considered ultimately transitional, with an eventual downward trajectory, this directly undermined sustainability of BS outcomes. This is a major policy omission with shared responsibility with DPs. BS failed to include hard conditionality on increasing domestic revenues in contrast to many other countries.<sup>27</sup> Given the large BS, the DPs were in a strong position to require corresponding increases in domestic revenues.

In the second period, since 2007/8, BS significantly declined as the mutual trust between the government and the development partners began to decline in response to corruption episodes. The priorities also began to diverge as the government’s focus shifted towards productive sectors and infrastructure while DPs BS operations largely remained focused on the social sectors. Finally, the global recession of 2008-9 hit hard many developed countries that provided BS to Uganda, changing their domestic political constraints and attitudes on large-scale external BS, including to Uganda. BS declined to 7 percent of total public expenditures in 2009/10 and 2 percent in 2012/13, and, at the same time, became less predictable.

BS supported and contributed to solid fiscal management during the early years of the period under review, through the provision of significant funding for government expenditures and service delivery as well as a broadly coordinated policy dialogue and consensus on the policy agenda. In the second part of the period of the review, however, BS began a steady decline, while fiscal deficits rose. At the same time, dialogue around BS did not succeed in adequately addressing the risks associated to the political economy aspects of macroeconomic and fiscal performance mentioned above.

Overall, lack of government’s effective revenue mobilization strategy and poor revenue outturns have been the largest omission of the overall policy framework supported by BS as well as the government’s economic policy over the decade of review.

The issue of revenue performance was raised repeatedly by the donors and the issue features in most of the policy dialogue documents. However, revenue mobilization was not one of the top priorities in the policy dialogue. The donors continued to provide substantial budget support during the first part of the decade under review, irrespective of the repeated slippages in government revenue performance.

<sup>27</sup> See European Commission (2014). Meta-evaluation of Budget Support – Volume One (draft), Synthesis Analysis of the Findings, Conclusions and Recommendations of 7 Country Evaluations, of Budget Support, September.

### Summary answer to the evaluation question

Overall, Uganda has maintained broadly solid policy performance over the period under evaluation. It has also been building on the previous tradition of solid macroeconomic management. This has allowed the country to draw on several IMF programmes, obtain huge debt reduction support through the HIPC mechanism, and receive considerable donor BS. The government managed to control aggregate public expenditures, except during the periods of elections. This suggests substantial political cycle component in the trajectory of public expenditures. In the latter part of the period under review, since external resources (including budget support) and revenues remained insufficient, the government cut current and development expenditures to keep the deficits within manageable levels. However, this translated into significantly reduced funding at sectorial and programme levels, which undermined service delivery.

BS contributed to solid fiscal management during the early years under review. However, Government's revenue mobilization strategy and revenue mobilization outturns have been the Achilles heel of the overall policy framework supported by BS. Despite strong awareness among DPs and declarations of intent including within policy dialogue frameworks, this issue did not become one of the top priorities and DPs continued to provide substantial BS during the first part of the period under review, irrespective of the repeated slippages in government revenue performance. Political economy of large tax exemptions, entrenched interests, and culture of non-compliance conspired in this outcome. Until this political economy equilibrium is disrupted by strong political leadership to secure broader and more robust domestic revenue base, it is difficult to foresee future gains in mobilization based on declarative tax policy measures only.

#### 4.1.4 Evaluation question 4

##### EQ4 - PFM

*What were the improvements in the quality of Public Finance Management and to what extent BS operations have contributed to these improvements?*

##### Background and context

The Budget Act of 2001 and the Public Finance and Accountability Act (PFAA) of 2003 provided the legal platform for the budget formulation process during the most of the evaluation period. The Budget Act of 2001 stipulated the information and timeline of information that the Government is required to present to parliament. The PFAA provided the legal framework for the control and management of public resources, fiscal transparency, and accountability.

In the years leading up to the JBSF, the largest partners in supporting PFM reform were the World Bank (in particular, through the Poverty Reduction Support Credits - PRSC), the EU and DFID. Over the past decades, there had been substantial investment by DPs in project support to PFM strengthening in relation or not with wider BS operations. In an effort to harmonise their support, DPs combined to provide basket funding in the form of the Financial Management and Accountability Programme (FINMAP). The programme started in January 2007 and has been financed by GoU and five DPs (Ireland, Norway, Sweden, the United Kingdom, and the European Union) with the World Bank supporting specific activities. A second phase of the programme was launched in 2012 to deepen, widen and consolidate reforms in PFM.

##### Box 2 *DPs support to PFM*

Prior to 2008, DPs provided their support based on bilateral agreements and disbursement conditions. For the PRSCs, conditionality included: agreements with donors on the Public Expenditure Review (PER), the MTEF, and the execution of the budget in line with agreed allocations (e.g., Poverty Action Fund (PAF) share); expenditure for public administration in line with agreed allocations; the presentation of a procurement bill to parliament; the drafting and revision of an audit bill to ensure adequate operational independence for the Auditor General; and satisfactory progress on actions agreed in the Joint Annual Review of Decentralization. The EU GBS included indicators related to, for instance, the implementation of annual PER demonstrating progress in particular in the reform of public finances, or, the involvement of partners in the dialogue on PFM. DFID was, in particular, actively involved around the governance matrix in the PEAP.

With the onset of the JBSF and the associated JAF, a set of mutually agreed indicators, updated annually, were chosen to monitor progress in PFM. Relevant preconditions for support included: internal budget accountability and external budgetary control that satisfy the basic conditions for good PFM (including transparency, accountability and effectiveness of use of resources); credible and relevant programme to improve PFM and procurement systems in place; and progress in performance recorded over the period under review. Key performance indicators used were the budget variance between allocations and releases of JBSF-targeted sectors; budget variance between releases and actual expenditures of JBSF-targeted sectors; central government units receiving quarterly releases as per agreed cash flow plans; arrears as percentage of total expenditures; LG publishing financial transfers and budgets at the local level; clean audit reports; government revenue as share of GDP; and improvements in procurement practices.

##### Main findings<sup>28</sup>

##### *Overall performance in PFM (Vol. 2: JC4.1 and JC4.2)*

Before 2004, Uganda was showing mixed performance in PFM. Budget formulation, execution and management was quite weak (see IMF 2002 Article IV Consultation<sup>29</sup> or World Bank 2004 CIFA report<sup>30</sup>). Line ministries' budget framework papers outlining priorities for the next fiscal year lacked realism. The efficiency of public expenditures suffered from frequent supplementary budgets and within-year budget reallocations, weak management of arrears, and limited local government capacity. This was compounded by poor revenue projections partly due to highly variable DPs' financing commitments.

During the last decade, Uganda gradually developed a sound PFM system and consolidated its position as a strong performer in PFM. The country scored frequently above regional averages in a variety of assessments. The 2005, 2008, and 2012 PEFA assessments, annual reports conducted by the IMF

<sup>28</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

<sup>29</sup> International Monetary Fund (2003): 2002 Article IV Consultation. IMF Country Report No.03/83.

<sup>30</sup> World Bank (2004): Country Integrated Fiduciary Assessment.

under the Policy Support Instrument and other assessments involving directly the DPs (e.g. the regular Fiduciary Risk Assessments by DFID and the 2008-2014 BS-related Joint Assessment Framework reports) all highlight strong progress in several areas.

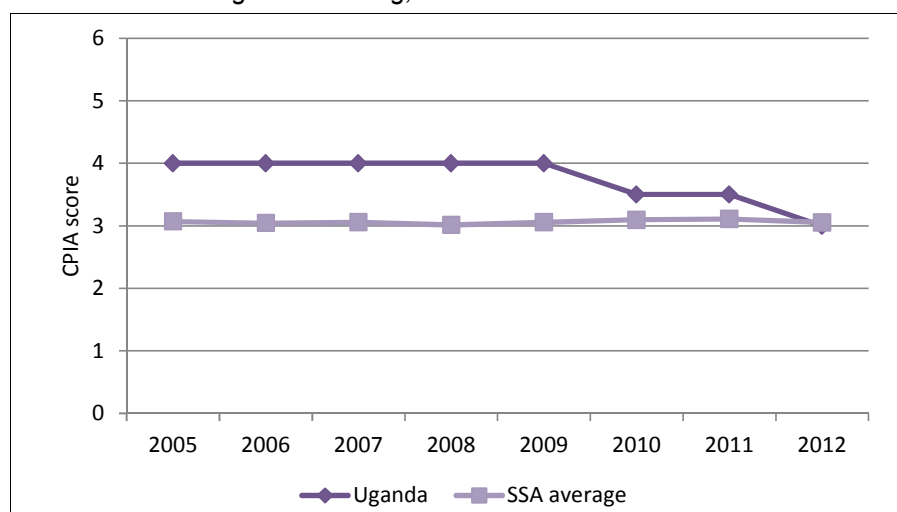
In particular, the PFM system is now characterised by sound budget formulation and planning. There is a strong political engagement of both parliament and cabinet during the budgeting process, and an adherence to a comprehensive budget calendar. The budget is based on a resource envelope derived from credible multi-year macro-fiscal forecasts and a sound debt profile. A number of sectoral strategies have been developed and costed in line with the NDP. The 2012 PEFA rates the comprehensiveness of the information included in the budget documentation as strong.

Improved efficiency, accountability and transparency can also be observed. Fiscal information to the public has become quite transparent. MoFPED now publishes the national, sectoral, and district budget framework papers annually on its website along with budget speeches, annual budget performance reports, audited financial reports, etc. The Integrated Financial Management Information System (IFMIS), a chart of accounts that aligns all government financial activity to budgets, users, purpose, organizational structure and accounting types for fiscal discipline, has significantly improved the efficiency and transparency of PFM operations.

However, Uganda PFM reform process still falls short in a number of areas. While Uganda has made some progress in the creation of a statutory enabling environment for gender budgeting, there is little to no substance or implementation of the initiatives in this area and no funding is available for gender activities per se. Moreover, budget ceilings for overall expenditure and sectoral allocations often do not match earlier MTEF expenditure forecasts<sup>31</sup> and there has been an increasing divergence of the budget from the NDP. In recent years, political pressure during budget formulation and execution has also seriously undermined budget credibility. Despite a strong de jure policy formulation process, uncertainty remains in the face of frequent and unanticipated ad hoc changes in major policy directions coming from the state house, often bypassing the standard consultative process. Moreover, increasing domestic supplier arrears, regular practice of supplementary budgets<sup>32</sup>, and frequent bypassing of internal controls in execution has resulted in a serious decline in budget credibility.

These shortcomings are reflected in the deterioration of the overall Country Policy and Institutional Assessment (CPIA) rating on the quality of budgetary and financial management<sup>33</sup> (see figure below).

Figure 9 Uganda vs. Sub-Saharan Africa (SSA): CPIA Scores on the Quality of Budgetary and Financial Management Rating, 2005-12



Source: World Bank's CPIA database.

<sup>31</sup> Effectively, the MTEF is considered a one-year plan, revised each year, with little medium-term constraint on the scale and composition of revisions.

<sup>32</sup> Sizable supplementary budgets have regularly (especially around elections) been allowed. As it is illegal for any expenditure vote to spend more than its approved budget, any deviation must be covered through supplementary authorization of Parliament (Constitution of Uganda, section 156 (2)). Large supplementary expenditures were, for example, justified for the Ministry of Defence to buy fighter jets and pay for salary shortfalls, the Ugandan Police to cover security efforts related to the 2011 elections, the Ministry of Energy to clear payment arrears, etc.

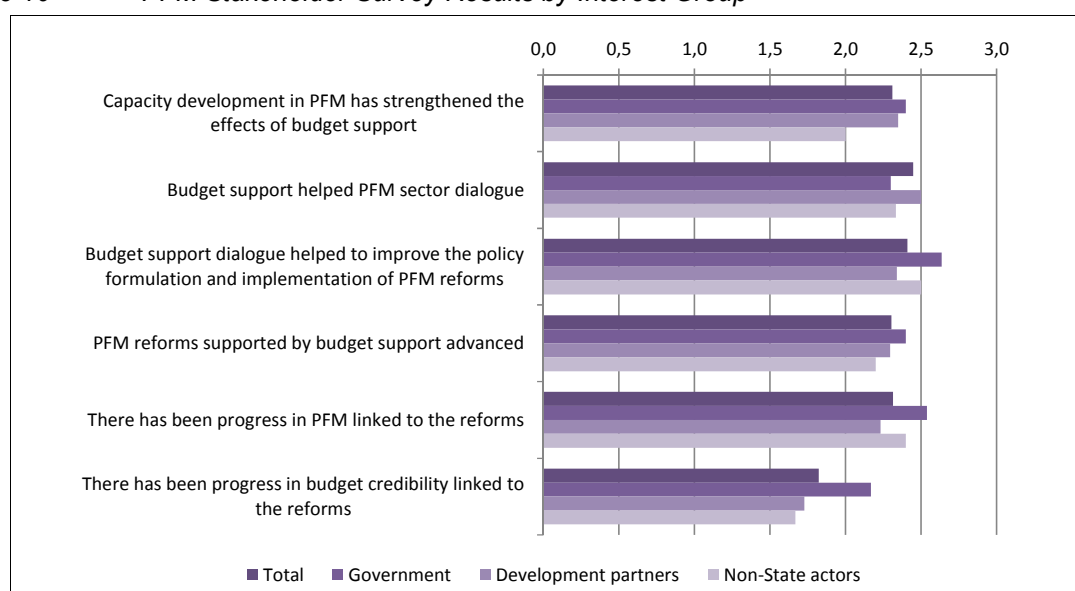
<sup>33</sup> Quality of budgetary and financial management in the CPIA assesses the extent to which there is a comprehensive and credible budget linked to policy priorities, effective financial management systems, and timely and accurate accounting and fiscal reporting, including timely and audited public accounts.

The sub-national PEFA carried out in 2013 also highlights persistent weaknesses at the decentralised level, despite some progress in specific areas such as procurement and efficiency of budget execution. The report notes that the central government did not respect its commitments on transfers to the LGs related to earmarked grants. Low performance of LG systems can be illustrated by the weak forecast of internal revenue and the absence of cash-flow planning. Evidence gathered during interviews and through the field survey echoes the observations made in the PEFA assessment and relates them to important gaps in terms of local government capacity which have been inadequately addressed in the past decade.

### *BS contributions*

Budget Support has contributed in many ways to the evolutions observed in PFM. BS was accompanied by substantial technical assistance, capacity building activities, and analytical services, which have been key in the development and implementation of the PFM reforms. Stakeholders consulted in interviews and the e-Survey (see Figure 10 below) note that BS had a positive impact on the pace and content of the reform. There has been broad agreement across stakeholders that BS dialogue in PFM improved policy formulation and implementation of reforms, and that it helped sector and cross-sectoral dialogue. Capacity development efforts, provided in tandem with BS, also appear to be an important contributory element.

**Figure 10** PFM Stakeholder Survey Results by Interest Group



Scale: Respondent agrees 0 – not at all, 1 – to little extent, 2 – to some extent, 3 – to a great extent

Source: eSurvey 2014 (Particip).

PFM was central and increasingly important to BS since 2004. This was particularly stressed again after the misappropriation of funds in 2012. It was widely noted in team discussions with stakeholders that DPs who passed on the responsibility of their funds to the Government by channelling it through the consolidated fund services were intrinsically more interested in sound government PFM systems to manage their funds well and transparently than DPs who retained control of their funds through vertical aid channels. Budget support, therefore, acted as a catalyst for DPs to strengthen government PFM systems, while at the same time providing the necessary leverage to pursue reform at the central level. Consequently, it can be argued that absent such channelling of resources through the government's PFM systems, important progress in building PFM systems and capacity to date would have been more limited. Further, abandoning, or substantially reducing BS would reduce the DPs capacity to contribute to PFM improvements through political pressure and high-level dialogue.

Throughout the evaluation period, the government demonstrated commitment to the reform programme, as is documented in the various JAFs, independent PFM assessments, as well as in the IMF Article IV consultations. This commitment is in part driven by the strong emphasis on progress through conditionality agreements, and in part advanced from within government: an authorized PFM workforce increasingly recognized the need to improve the performance of systems for effective service delivery. The example often cited was the set-up and progressive implementation (since 2004) of the Oracle-based IFMIS, which is now sought after by district officials who have not yet made the transition.

By contrast, progress in domestic revenue generation was modest, reflecting a combination of factors such as the lack of political will, local political economy, large non-statutory exemptions and the culture of non-compliance, and inadequate focus by BS partners. To be sure, as of end-2014, GoU, in



collaboration with the IMF has taken steps to eliminate statutory VAT exemptions and other measures to strengthen tax administration and increase revenues by 0.5 percentage points of GDP per year. However, the overall performance in this area for the period of review is unambiguously weak. This is discussed in more depth in EQ3.

The Technical Assistance Support Unit (TASU) set up in the context of the JBSF was also instrumental in PFM reform. The TASU managed Uganda's first sub-national PEFA, and undertook an in-depth analysis of the relationship between fiscal decentralization, fiscal incentives, and decentralized service delivery outcomes in Uganda. Additionally, TASU supported the development and monitoring of PFM JAF indicators and actions, and it supported research and policy formulation agenda.

Some progress could have been achieved through alternative aid modalities (other than BS) in specific project-level areas. However, BS provides a contractual framework to establish and monitor the mutual commitment that projects do not provide, thereby being less effective at addressing broad institutional changes. Given the institutional set up for the BS dialogue described above, it is unlikely that the same level of government commitment would have been generated and progress achieved with PFM systems and capacity without BS and related PFM conditionality agreements.

### Summary answer to the evaluation question

Uganda has been a strong performer in PFM matters over much of the last decade and the PFM reform process has improved at various levels. Important achievements can be observed in terms of the quality of budgeting and planning and the efficiency of public expenditures. However, despite important positive evolutions in the early stages of the evaluation period, Uganda PFM reform process falls short in a number of areas and some key PFM indicators have even deteriorated in the last few years. Areas of concern include, in particular, budget credibility, the transparency of inter-governmental fiscal relations and the quality of the PFM reform process at the decentralised level.

Budget Support has contributed in many ways to the evolutions observed in PFM reform. Budget support acted as a catalyst for DPs to strengthen government systems, while at the same time providing the necessary leverage to pursue reform at the central level. Moreover, substantial technical assistance, capacity building activities, and analytical services provided in the framework of BS were key in the development and implementation of the reforms. However, BS failed to enhance domestic revenue generation and to address the important needs in terms of capacity building at the local level.

As of writing, at end-2014, the government has pressed ahead further with important legislative PFM reforms and the second phase of the FINMAP programme covers the entire financial management spectrum. A comprehensive PFM bill has been presented by the authorities to parliament to deal with some of the structural weaknesses including lack of credibility, integrity, and predictability of the budget.<sup>34</sup> These reforms are significant. If legislated and implemented<sup>35</sup>, they will result in a major improvement in PFM systems and performance in Uganda.

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<sup>34</sup> In particular, the bill seeks to: introduce a charter of fiscal responsibility; base commitments on budget appropriations and cash flows on procurement, works, and recruitment plans approved by parliament; bring forward the budget calendar to avoid parliamentary approval of the budget several months into the fiscal year; make the annual budget framework paper and the budget more consistent with the medium-term expenditure framework and the national development plan; create an operational fund for contingencies to protect the budget from cuts to finance supplementary pressures; strengthen the links between budget preparation, execution, and oversight by allowing parliament to review budget submissions together with audited performance for the previous year; provide for the implementation of a single treasury account to improve existing banking and cash management arrangements; and prepare the economy for efficient oil revenue management.

<sup>35</sup> The bill has been before parliament since 2012, and it is unclear whether there is sufficient political commitment or parliamentary support to pass it prior to the upcoming elections in 2016.

#### 4.1.5 Evaluation question 5

##### EQ5 - Allocative and operational efficiency of public spending

*How has the level and composition of public spending across sectors changed, and with which consequences in terms of allocative and operational efficiency, including at decentralised levels, and what was the contribution of budget support, through its different components, to the observed changes?*

##### Background and context

Reflecting a strong track record of reform, Uganda was the first country to receive support from the HIPC initiative in 1998 (see also EQ3). The Poverty Action Fund (PAF) was established in the same year as a mechanism to demonstrate that savings from the debt relief programme were channelled to poverty alleviating expenditures, a key requirement of the initiative. Expenditures classified as pro-poor were primary education, primary health care, water and sanitation, agriculture, and rural feeder roads. Unlike off budget expenditures, PAF resources were part of the consolidated fund, an integral part of government expenditures subject to the regular budgetary processes. PAF resources were protected from cuts. They were also subject to stricter reporting and monitoring requirements than other government expenditures. (GoU 2005)

Over the period of the evaluation, there was an understanding between GoU and DPs that the provision of BS would be underpinned by a common agreement on the aggregate expenditure levels and broad composition. At the aggregate level, the total resources available for financing the budget were determined by the macroeconomic targets agreed with the IMF. Regarding the composition, at the sector level, there was an early agreement that additional budgetary resources, financed primarily by BS, should be used to scale up pro-poor financing in the social service sectors in line with government's commitments in the PEAP.

Given the allocative commitment from GoU and the increased scrutiny, the PAF lent itself well as a vehicle for SBS initiatives from various DPs that lasted until the mid-2000s. However, facing criticisms that this would distort optimal allocations across sectors for the implementation of the PEAP, this aid modality evolved around 2004/05 towards GBS, which was less restrictive with regard to the level and composition of specific public spending categories as disbursements were made against the achievement of conditions aligned with the broad objectives of the revised PEAP (see also EQ1).

##### Main findings<sup>36</sup>

##### *Evolution of pro-poor allocations and actual disbursements at central and decentralised level (Vol. 2: JC5.1 and JC5.2)*

GoU used the PAF<sup>37</sup> as a virtual fund to identify which budget lines within the social service sectors were considered to be 'pro-poor'; these primarily related to transfers to local governments to finance service delivery in education, health, and water. GoU further committed to increase budget allocations to the PAF year-on-year, and to protect them from cuts during budget execution. DPs providing BS, in turn, used GoU's budget allocations to the PAF as a mechanism for demonstrating that their financing was supporting increased pro-poor spending in the budget. Overall, government's pro-poor budget allocations, as identified in the PAF, grew rapidly in the first years after the set-up of the PAF, more than tripling in real terms.

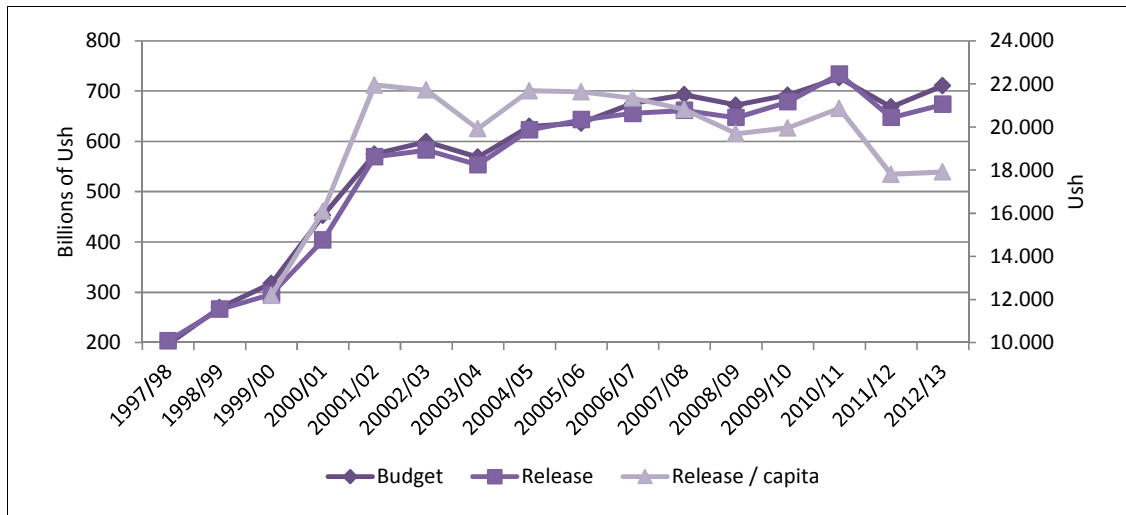
However, from 2004/05 onwards, as GoU started to reduce its fiscal deficit without increasing government revenues (see EQ3), the real increases in allocations to the PAF were just a fraction of what they had been in the earlier years. In per capita terms, real PAF releases declined by about one fifth between the peak period in 2004/05 and 2012/13 (see Figure 11). Similarly, the level of PAF spending as a percentage of the discretionary budget<sup>38</sup> reached a peak of 33.2 percent in 2004/05, and subsequently declined steadily, to 20 percent in 2012/13.

<sup>36</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

<sup>37</sup> The PAF definition changed over the review period, but consistently focused on key social sectors and included a core set of decentralised grants. The definition follows Williamson 2014 and includes: decentralised grants under agriculture, education, health, social development, water and environment and works and transport, the PAF monitoring and accountability grant, LGDP, Dutch development grant and the hard to reach allowance.

<sup>38</sup> Discretionary budget expenditures exclude interest payments, taxes and arrears.

Figure 11 Real PAF budget allocation and release (Primary Axis), and per capita release (Secondary Axis)

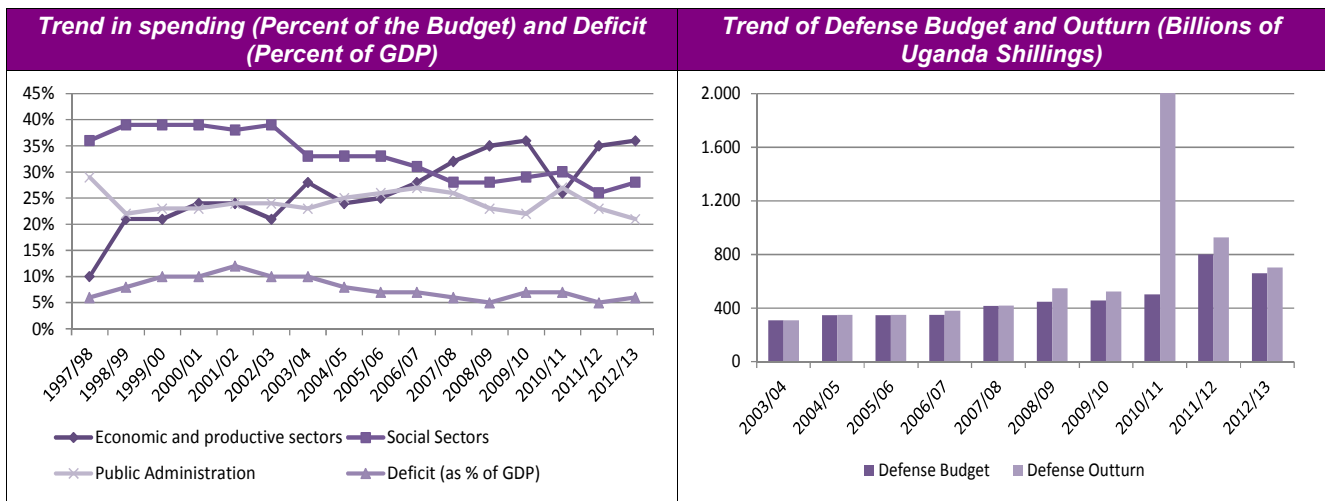


Source: MoFPED and World Bank BOOST data<sup>39</sup>, adjusted by GDP deflator and population.

Nonetheless, GoU continued to meet its formal commitment to increase pro-poor allocations and protect PAF expenditure during budget execution, as targets were set in nominal terms, and not relative to total government expenditure. Execution rates for PAF expenditures averaged 97 percent across the period (Williamson et al 2014), which is significantly different from the average budget performance across all government expenditures amounting to only 45 percent (WB Boost data).

After the initial surge in allocations to the PAF between 1998 and 2004, it became increasingly difficult for DPs and GoU to reach a common agreement on the detailed budget framework. The gradual slowdown in PAF allocations has been precipitated by an increase in the allocation for productive sectors such as roads and infrastructure, and by defence expenditures that frequently exceeded the approved budget (see Figure 12). Furthermore, a commitment to reduce the deficit without sufficiently raising domestic revenues meant that there were relatively less funds available to finance key priorities, and policy trade-offs between pro-poor and productive sector expenditure became more acute.

Figure 12 Trends in spending composition and defense budget and outturn



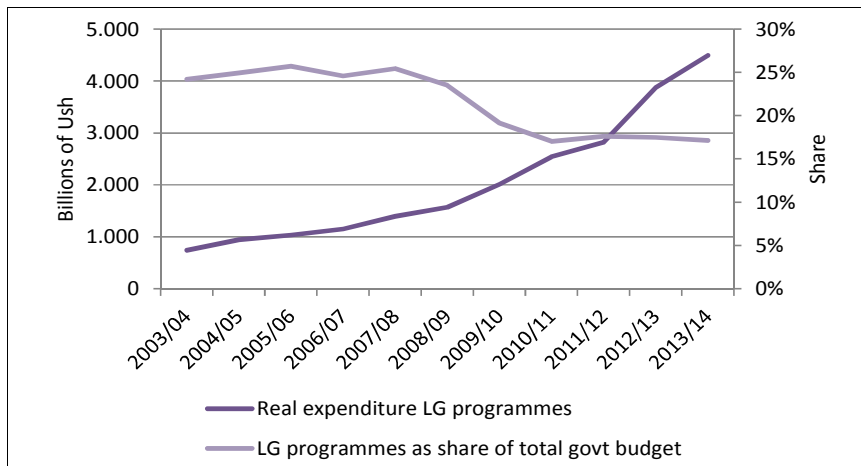
Source: MoFPED and World Bank BOOST data.

At the local level, there has been a considerable capacity development effort with support from the central government and BS DPs, especially in terms of planning and budgeting<sup>40</sup>. However, almost all allocation decisions were made at the centre and the improved planning capacity of LGs could therefore be used only in a limited way. Moreover, real expenditures of LG programmes have increased and the budget performance for LG grants has been consistently good. However, the resources made available to the LGs as a share of the total budget have declined, especially in recent years (see figure below).

<sup>39</sup> MoFPED MTEF for 1997/98 – 2002/03; Boost Data for 2003/04 – 2007/08; and MoFPED approved estimates and annual budget performance reports for 2008/09 – 2012/13

<sup>40</sup> See EQ4 for further information on capacity development at local level on budgeting and planning.

Figure 13 Trends in LG budget (Billions of Ush) and LG share of total budget envelope



Source: MoFPED budget data 2014.

Finally, although service delivery expanded during the period, implementation of service delivery was negatively affected by the reduction in the discretionary powers of Local Governments, their weakened ability to collect local taxes and user fees, and the proliferation of districts (see also EQ8 to EQ10).

### BS contributions

Overall, BS contributions to ensure a protection of the pro-poor expenditure have been significant, although several bottlenecks did not allow achieving larger positive effects. All inputs provided by BS have played an important role. The funds have provided the bulk of the resources employed in the PAF, although part of it has been used to reduce the deficit. The dialogue has been essential to build and maintain a focus on pro-poor allocation, including monitoring. Performance matrices used considerably improved over time in terms of both their relevance and precision, and the data used for monitoring. More generally, BS has provided a high-level forum for policy dialogue based on considerable analytical input<sup>41</sup> backed by funding, capacity building and performance and results measurement. It has informed policymaking at the highest levels on critical issues affecting public expenditure priorities, expenditure composition, and the impact of expenditures on the poor. The overall budgeting process was also strengthened through BS (see EQ4), which helped the tracking of pro-poor expenditures.

The support provided, however, has also faced important obstacles.

- While BS funds were significant to increase pro-poor allocations, this contribution substantially declined over time with the decrease in the relative size of BS in total budget. The PAF helped significantly to increase allocations to pro-poor service delivery in the early 2000s. But, after a peak in 2004/05, increased allocations were modest and insufficient to provide for expenditure pressures arising from high population growth (greater than 3 percent) and increased demand from the abolition of user-fees in health facilities and universal education policies (see EQ8 & EQ10).
- By holding GoU accountable to stable PAF allocations, BS helped protect funds from reductions, but this has been insufficient to generate commitment for a stable share of total expenditures as budgetary pressures became more acute. BS partners have not been able to help improve the efficiency of public expenditure at sectoral and local level, despite the analyses and the TA provided by the WB. MoFPED, which is the institution with closer technical relations with the DPs, is unable to control the politically driven context at local level. OPM, which chairs the JBSF after 2008, does not consider the need for political issues to be discussed under JBSF.
- BS partners have not been able to help GoU change its tax policy and gradually increase revenue, despite specific TA provided by DFID and discussion of revenue issues within policy dialogue. The low level of tax revenue has exacerbated resource allocation trade-offs.

These bottlenecks have weakened the positive effects of BS on pro-poor expenditure both quantitatively and qualitatively. They have also hindered convergence of views among DPs. Although it was supported by some key analytical products such as the 2007 Country Economic Memorandum and the 2007 Public Expenditure Review, not all DPs were equally supportive of the shift in priorities from

<sup>41</sup> For instance, the 2007 PER stressed allocative efficiency and the importance of the productive sectors vis-à-vis the PAF, service delivery and overall poverty reduction objectives. The 2007 Country Economic Memorandum (CEM) has helped GoU to develop a prioritized set of policy actions, investments, and interventions in the productive sectors to accelerate economic growth. Both of these were instrumental to making growth and economic transformation more prominent in the third PEAP and the NDP than had previously been the case. A number of sectoral PERs that followed the CEM have also been critical inputs into GoU's budget reforms.

social sectors to productive sectors. Several DPs saw this shift as potentially undermining the all-important social service delivery agenda, which remained priorities for them. As a result, the JBSF only partially reflects this shift, putting only moderate emphasis on sectors such as transport<sup>42</sup>. This has effectively created a divergence in priorities between GoU and the JBSF, which further diluted the potential effects of BS.

If the use of BS had not been weakened as described above, BS would have been irreplaceable as shown in the period of the first PAF. Because of the level and extent of the dialogue and the relative size of financial support, it is difficult to see how such level of engagement could have been achieved with less encompassing aid modalities. Relying solely on investment projects would have not contributed to the same extent putting in place an owned national strategy in the early 2000s, with the important results obtained in education, health, water and PFM reforms. Fiduciary issues would have remained and coordination and harmonization would have suffered.

In addition, the trade-off between productive/administrative and social allocations (due, in particular, to the inadequate levels of GoU tax revenue) became very strong in the mid-2000s. If the framework associated to BS had not been there, the relatively low level of advocacy of the poor would have been inadequate to face the pressure coming from greater attention to infrastructure and public administration. The present situation where, according to many stakeholders, a further decline of BS may lead to serious setbacks in service delivery tends to confirm this observation.

Indirect and less tangible, but no less real, was “learning by doing” and capacity building in MoFPED, PFM and upstream accountability institutions, but much less so in the sectoral ministries. Perhaps greater emphasis on SBS, while keeping a part of GBS as a vehicle for coordination and high-level dialogue focused on policy areas under MoFPED control, might have enhanced these less intangible benefits across GoU’s agencies, contributing to results in those sectors. Given the GoU’s clear shift in priorities and expenditure allocations from social to productive sectors, there remains a question how much such, more sectoral approach would have contributed to better results in social sectors.

Moreover, it is possible that, in recent years, earmarked sectoral support (e.g. the water sector) and projects would have contributed better to pro-poor expenditure, although they would not have contributed to build a financial management and monitoring system potentially suitable to ensure the long term sustainability of such expenditure.

### Summary answer to the evaluation question

Pro-poor budget allocations, as identified in the PAF, grew rapidly in the first years after the set-up of the PAF, more than tripling in real terms from 1997/98 to 2002/03. During most of the period under review, GoU continued to meet its formal commitment to increase pro-poor allocations and protect PAF expenditure during budget execution. However, targets were set in nominal terms, and not relative to total government expenditure. After the initial surge in allocations to the PAF until 2003/04, a slowdown in pro-poor allocations gradually started and was then precipitated by an increase in the allocation for productive sectors and defence expenditures that sometimes exceeded the approved budget. Furthermore, a commitment to reduce the deficit without sufficiently raising domestic revenues meant that there were relatively less funds available to finance key priorities, and policy trade-offs between pro-poor and productive sector expenditure became more acute.

The decline in BS funds in recent years combined with the failure of BS partners to help GoU in increasing revenue and improving the efficiency of public expenditure at sectoral and local level have weakened the positive effects of BS on pro-poor expenditure, both quantitatively and qualitatively. That said, overall, BS contributions to allocative and operation efficiency of public expenditure have been significant. If not weakened in the way described above, BS would have been irreplaceable as shown in the first years of the PAF. Relying solely on investment projects would have not helped to the same extent in putting in place a national strategy in the early 2000s, with strong ownership and important results obtained in education, health, water and PFM reforms. In the last years, it is possible that earmarked sectoral support and projects would have contributed better to pro-poor expenditure, although they would not have helped in building a financial management and monitoring system suitable to ensure the long-term sustainability of such expenditures.

<sup>42</sup> Another area where DPs failed to use BS as an entry point for improving pro-poor expenditure has been agriculture. As the predominant part of the population are poor rural dwellers (the 2014 WDI indicate that the share of the population in urban agglomerations of more than one million was only 4.9 percent in 2013) and about two thirds of small holder farmers are female, BS to agriculture has the potential to impact on gender inclusive growth and poverty. However, while GoU has increased allocations to agriculture through agricultural grants at the district level, policy dialogue has remained weak leading to limited positive evolutions in this area.



#### 4.1.6 Evaluation question 6

##### EQ6 - Policy formulation & implementation processes

*To what extent and through which mechanisms (funds, dialogue and TA) has budget support contributed to any improvement in the policy formulation and implementation processes and related accountability?*

##### Background and context

As seen under previous EQs, the evaluation period sees a shift in GoU overall development strategies and policies. Following a third iteration of the Poverty Eradication Action Plan (PEAP) for the 2004-2008 period, the GoU launched the National Development Plan – NDP (2010-2015).

As of 2007, the lead role for national planning in Uganda shifts from the MoFPED - who collaborated closely with DPs during the preparation of the PEAP and its iterations - to the newly established National Planning Authority (NPA). The NPA developed an ambitious new vision for the development of the country, with the objective of achieving middle-income status within 30 years through a series of five-year National Development Plans. The first NDP (2010-2015) sees an important shift in priorities towards economic infrastructure, linked to the discovery of oil, gas and minerals with the social services sectors (including education, health and water) considered as a secondary priority.

Looking at the three focal sectors (education, water and sanitation and health), the period is marked by:

- The introduction of Universal Post Primary Education and Training (UPPET) in 2006 through a Presidential Initiative.
- A shift within the water and sanitation sector from a focus on increased water and sanitation for domestic use under the PEAP to a focus on access to water for production under the NDP. The period also sees the introduction of a separate budget line for sanitation at district level to increase support for sanitation. With specific reference to the sub-sector explicitly supported through SBS (i.e. increasing and sustaining water and sanitation for domestic use), strategies have evolved to optimise support for piped water supplies to rural growth centres and small towns and a specific Water Supply Development Fund was introduced to support this evolution.
- The introduction of the Health Sector Strategic and Investment plan (HSSIP) 2010/11-14/15 following the launch of the NDP and the end of the Health Sector Strategic Plan - HSSP-II (2005-2009). The Uganda National Minimum Health Care Package (UNMHCP), defined under HSSIP II continues to be a cornerstone of the GoU's/MoH's strategy for improved access to basic health services. Despite specific results, it appears that coherent sector-wide policy development, planning, and implementation of programmes may have been adversely affected by the large volume of project funding from the health sector DPs, including USAID and the Global Health Initiatives (GHI) targeting specific diseases.

##### Main findings<sup>43</sup>

##### *Policy processes (Vol. 2: JC6.1)*

With the exception of the water and sanitation sector, where policy processes and quality of policies have been progressively improving as a result of a vibrant consultative process taking place at yearly Joint Sector Reviews and Joint Technical Reviews, little or no evidence has been found in relation to the strengthening of policy processes in the period under review. Clear weaknesses in the policy processes are evidenced by a number of politically driven decisions with important budgetary implications, which were neither analysed in terms of feasibility nor discussed with the DPs who supported the bulk of sectoral development expenditure. Examples include the introduction of the UPPET in the education sector, the abolishment of user fees in the health sector (though this happened in the pre-evaluation period), and the abolishment of the graduation tax in 2006, all through Presidential initiatives. Directives that appear to take precedence over some of the formal policies developed within the sectors. Consultative processes which had characterised the earlier phases of the SWAp in the education sector, for example, no longer work and even the interest to dialogue on both the side of the MoES and DPs has shrunk. That said, in the education sector as in the health sector, sector working groups continue to function. DPs have managed to raise key issues, as evidenced by the discussions on human resources, absenteeism, and pharmaceutical supply and distribution, and by discussions around UPPET which have subsequently led to delay the implementation of UPPET by 1 year and to establish an agreed pass rate to be achieved before transition to secondary level. As will be discussed under the sector EQs, there is evidence to suggest that policies pursued – also with the support of DPs – have not been particularly effective.

<sup>43</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

### *Public sector institutional and technical capacities (Vol. 2: JC6.2)*

Evidence collected through both documentary sources and interviews at both central and local level, indicate that institutional and technical capacities in the health and education sectors have been seriously eroded over the past years, particularly at decentralised levels. In the education sector, the technical capacity of the MoES at central level was reported to be declining and capacity at local level has always been weak and its strengthening has not been systematically addressed by DPs. Similarly, in the health sector, several sector experts and DPs specifically involved in the sectoral support have testified to the gradual reduction in the analytical, technical and managerial capacities of the MoH. Importantly, there is strong evidence to suggest that health sector institutional and technical capacities are particularly weak at the District and sub-district levels also as a result of the proliferation of districts, lack of robust local tax base, and lack of policy focus on local capacity building (World Bank, 2013; EPRC, 2013; Lutwama et al., 2012). This was also confirmed by the results of the field survey undertaken in the framework of the evaluation whereby capacity was deemed mostly adequate by 30 percent of respondents during the 2004-2008 period rising to 46 percent in the 2009-2013 period; also to note that out of the sampled health units, only 19 percent report having been fully staffed over the last 5 years.

Once again, the water sector proves to be an exception. Here, the policy and facilitating role of the centre (MWE as line ministry) has become well established over the years although improvements are still needed in the MWE internal quality control and reporting systems. With regards to the local level, interviews and reports alike indicate that the establishment of Technical Support Units (TSU) which provide intensive levels of long term national technical assistance, proved to be a *valuable tool in building capacity at district level*.<sup>44</sup> Conceived as temporary structures to build capacity in the districts for rural water supply and sanitation, the TSUs are currently envisaged as a possible more permanent element of the sector institutional framework to address capacity development issues challenged by the increasing number of local governments.

### *M&E capacities and systems (Vol. 2: JC6.3)*

Reasonably good performance monitoring systems are in place to monitor the implementation of policies, with the system being closely linked to policy dialogue platforms / sector reviews. Shortcomings are however evident in all three sectors with regards to the reliability of data though these appear to be more important in the education and health sectors. In the education sector, the Education Management Information System (EMIS) on which performance monitoring is based is weak: data is incomplete and unreliable, with limited efforts deployed during the evaluation period to strengthen it.<sup>45</sup> In the health sector there is evidence to suggest that the monitoring and evaluation capacities of the MoH and associated entities have improved with the Annual Health Sector Performance Reports describing and reporting on the achievements of the MoH and the health sector, including private not-for-profit providers. However, the quality of these reports varies and little data and information is reported on the private sector, which makes up a significant share of the Ugandan health sector. The absence of reliable information and evidence on activities in the sector remains a major weakness.

Finally, in the water sector M&E capacities have clearly improved over the period under review as evidenced by the better quality of sector performance reports. The performance monitoring framework, consisting of a set of golden indicators monitoring progress in all W&S sub-sectors on a yearly basis, is concise and complete; and data produced and disseminated is widely used to underpin studies on best practices and lessons learnt. Despite the efforts deployed to continuously improve indicator monitoring some doubts on reliability of figures particularly with reference to data on gender and equity, which seem to be fluctuating rather than presenting a clear increasing / decreasing trend.

### *Public service delivery (Vol. 2: JC6.4)*

Public service delivery has not significantly increased over the evaluation period. Key factors which have prevented such a growth include: an overall reduction in the relative shares of the budget destined to the social sectors (the share of the budget declined from around 40% in 2002 to 28% in 2013, whereas the economic and productive sectors see their allocations increased from 25% to 35%), a deterioration in the ratio of front line service delivery allocations for each JBS focal sector versus total sector budget; and increasing cuts in sector budget releases compared to allocations in JBS focal sectors. (JAF 4 Appraisal report, 2013)

<sup>44</sup> Danida/GIZ, 2007, p. 37.

<sup>45</sup> The unreliability of administrative data which is inflated for budget purposes is widely recognized as a key problem by most interviewees who report numerous incidences of ghost pupils, schools and teachers and pupil/teacher absenteeism as well as falsification of records by teachers. "*More students you report, more money you get, the same holds true for payrolls*".

Public service delivery/management in the education sector has not improved significantly over the evaluation period. Pupil-teacher ratios have not declined, with only a very marginal increase in the employment of female teachers, although pupil-classroom ratios and pupil-textbook ratios have improved at primary level. However, these average figures mask major differences in these indicators between the different regions. Other problems still remain related to service delivery including problems with pupil, teacher and head teacher absenteeism, limited community participation as UPE is considered to be free, high dropout rates of pupils particularly girls and attrition rates of teachers. At secondary level, the main problems relate to a capitation grant that is static, inadequate skills and competencies in managing private schools, inadequate science and maths teachers and science equipment/laboratories.

In the water sector, service delivery has somewhat improved in terms of access and functionality when looking at the whole evaluation period though improvements in access have been primarily registered during the first years with a subsequent stagnation or partial decline. Functionality was improved by increasing the focus of District Local Governments on Community-Based Maintenance Systems, and enhancing backup support systems through solutions such as the introduction of Hand Pump Mechanics Associations. Data on water quality are inconclusive and data on gender suggest that representation of women in water user committees is somewhat reducing. As synthesized by the JAF 5 Appraisal Report (2014)

*The sector has made a lot of progress on regulation and functionality of water sources. However, the biggest obstacle to achieve progress in the Sector is the limited funding, which cannot cope with the growth rate of the population, coupled with the administration costs associated with the large number of districts. The problem of limited funding is further compounded by poor operation and maintenance, inefficient regulation leading to reduced life span of investments, and high rehabilitation costs on the one hand, and poor reliability of services on the other. (p.47)*

Finally, in the health sector, the analysis has revealed that it is not clear that public (or private) health services in Uganda have improved.<sup>46</sup> While improvements are registered in the percentage of approved posts filled by health workers in public facilities, achievements remain below targets and hard-to-reach areas of the country have not benefitted from the general increases and record a deterioration. At the same time, data on absenteeism rates in government health facilities is worrisome. Trends are more positive when looking at the number of health facilities without drug stock-outs for tracer drugs for which a significant reduction has been reported though again levels remain below targets.

Evidence collected through the implementation of the field survey (see Volume 3 - Annex 7 for details) in relation to the education and health sectors points to insufficient availability of physical resources which heavily affects the provision of quality services. In the education sector, this is deemed to be insufficient by a range between 65% and 79% of respondents depending on the type of resources (electrification, sanitation facilities, classroom equipment, general status of classrooms, teaching materials, computer labs and sport facilities/equipment) although almost half of respondents indicate an improved availability over the period covered by the evaluation. Similarly, in the health sector over 60% of respondents rated as insufficient the availability of physical resources be it electricity, medical equipment and facilities, water and sanitation facilities, percentage which goes down to 44% in relation to the stock of pharmaceuticals/drugs. Again almost half of respondents indicated an improved availability since 2004.

#### *Gender mainstreaming (Vol. 2: JC6.1 to JC6.4)*

While limited, some progress has been made with regard to gender mainstreaming, as evidenced by the introduction of the Gender in Education Policy in 2008, of the Water and Sanitation Gender Strategy in 2010 as well as the streamlining of gender within all new guidelines in the water and sanitation sector. That said, while some efforts to promote the mainstreaming of gender activities have been registered in all three sectors,<sup>47</sup> these have been limited. Overall number of staff knowledgeable in gender remains low, key decision makers demonstrate little interest in gender aspects and, as a result, attitudes and behaviour are still not gender-oriented. This is also reflected in the quasi-absence of gender sensitive indicators and in the limited attention - for example in the education sector - to issues such as female drop-outs, teenage pregnancy and gender-based violence within schools.

<sup>46</sup> Annual Health Sector Performance Reports for various years and other sector reports (see bibliography).

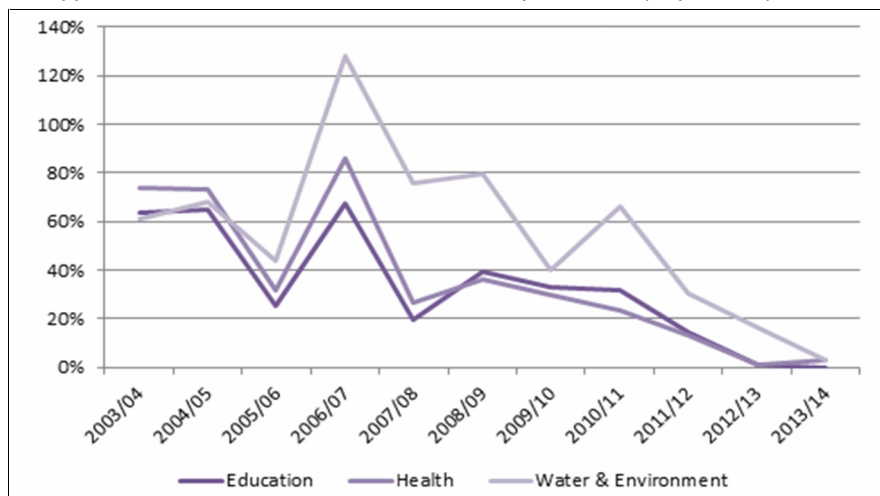
<sup>47</sup> Appointment of a gender focal point in the MoH, although this is not a full time position; establishment of a gender unit with UNICEF support in the MoES with a related budget line for gender mainstreaming activities; and increase in the number of sociologists as well as appointment of a gender officer within the MWE. Carrying out of workshops and seminars to increase knowledge and increase capacity in all three sectors primarily through project support.

### Contribution of BS to the observed changes

In what follows the role played by BS in contributing to the observed changes will be highlighted by looking at the different strands of inputs: funds, policy dialogue and related performance assessment frameworks, and complementary measures.

**Funds.** While it is clear that increases in DPs BS funds do not automatically translate in corresponding increases in expenditures in those sectors targeted by BS operations, calculations made by the team indicate that the contribution of BS (SBS + GBS) to domestic sector expenditure has been significant in the three sectors.<sup>48</sup> Had all funds provided by DPs in the form of BS automatically translated in a corresponding increase in sector expenditures, BS would have contributed to the financing of approximately 30 percent of domestic expenditures in the three sectors over the whole period, with peaks of 75 percent during the pre-JBSF period. The strongest hypothetical contributions are recorded in the W&S: almost 41 percent on average across the whole period with a peak of 94 percent in the pre-JBSF period; followed by the health and education sector, each with an overall average of 22 percent, again with much higher hypothetical contributions during the pre-JBSF period (respectively 72 percent and 60 percent), going down to 26 percent and 30 percent in the JBSF period before drastically declining to below 2 percent in the HLAM period.

Figure 14 Hypothetical BS contribution to sector expenditure (in percent)



Source: Evaluation team based on data from MoFPED.

In reality, however, it is clear that this has not happened. While BS has certainly contributed to maintain a *minimum* level of sector expenditure (i.e. without BS, service delivery would have very likely declined as highlighted in numerous interviews and shown by the data after 2010-11), the amount of resources actually flowing to the three sectors has been *insufficient* to ensure the provision of improved service delivery. This also points to the fact that BS has also contributed to the partially unintended financing of other GoU policies.

In the education sector, BS has underpinned the expansion of both primary and secondary education especially in the pre-evaluation and early periods of the evaluation. This expansion, however, has not been accompanied by substantial changes in the quality of education. Areas in which GoU expenditure and hence BS have led to positive achievements include: i) the set-up of the School Facility Programme which has contributed to increased numbers of classrooms, teacher houses and washrooms being built; and ii) the School Inspection Grant which has played a role in increasing the number of school inspections with the goal of improving quality. Similar considerations are also valid in the other sectors whereby BS has definitely contributed to sustain and - in some cases - improve service delivery.

**Policy dialogue and related performance assessment framework.** Results from the implementation of the on-line survey indicate that the great majority of respondents (fluctuating between a low of 80 percent and a high of 100 percent depending on the categories and sectors) believe that BS through dialogue (and associated performance assessment frameworks) has played a role in improving the policy formulation and implementation processes. An average of 25 percent of respondents believe BS

<sup>48</sup> Figures based on data provided by the MoFPED with calculations made assuming that: i) all GBS is allocated to the 4 JAF sectors which are a common feature throughout the whole JBSF period (i.e. education, health, water and sanitation, and roads); and ii) the 2004 share of allocation of expenditures among the different sectors remains the same for whole period.

has influenced these processes to a great extent. Documentary evidence and interviews, instead, provide a slightly different picture and allow to gain a better understanding of what can be viewed as a contribution. It is clear that in none of the sectors, has BS played a key role in the introduction/formulation of sector policies. That said, BS was able to support implementation not only through funds but also through dialogue and related processes.

As anticipated in the preceding sections, while UPPET was introduced through a Presidential initiative, DPs did influence some of the content after its announcement. Through a mix of policy dialogue and accompanying measures, DPs promoted the establishment of an agreed pass rate to be achieved before transition to secondary level, played a role in developing the Universal Secondary Education Strategy and its subsequent incorporation into a revised ESSP (interviews) while support provided by GIZ and the Embassy of Belgium supported the drafting and finalisation of the Uganda Skills Strategy and Plan.

More generally, performance assessment frameworks and the associated dialogue are recognised as important structures for effective performance monitoring of the implementation of policies and programmes and of achievement of results. Frameworks that have allowed drawing attention to a number of key challenges and constraints although with mixed results.

In the health sector, while there is some evidence that these platforms and instruments have contributed to an improved infrastructure for policy monitoring and evaluation of results, and have allowed DPs to participate with – at times – an important and constructive role, there are also signs that the targets set out in the JBSF and associated matrices have been insufficiently ambitious thus enabling the GoU/MoH to continue implementing policies that may not be very effective. Similar considerations are valid for the education sector, although here, it was noted that the joint performance assessment process and GAPR process (see EQ 2) which involved discussions on education sector issues with OPM, Heads of mission and the Ministry of Finance, allowed to put pressure on the MoES to implement commitments.<sup>49</sup> Examples of DPs influence is also found in the water sector through DPs participation to the yearly Joint Sector Reviews and Joint Technical Reviews and monthly water and sanitation development partner group meetings. Discussions within these frameworks have in fact led to the development of new policies and approaches, and to the implementation of various undertakings on improved functionality, increased access, and strengthened community based maintenance, and operation and maintenance (CBM and O&M) support structures.

Accompanying measures. In addition to the positive effects of accompanying measures detailed in the previous EQs (M&E, PFM and audit) and paragraphs (e.g. TA and advisory services in the education sector), the water sector is the only one which provides some evidence of linkages between increased institutional and technical capacities and support provided by DPs as a complement to BS. Here in fact, a highly appreciated mix of complementary aid modalities is used to implement the sector programme with BS providing much needed funding in support of districts through the GoU budget, parallel on-budget project assistance providing TA and capacity building measures tailored through policy dialogue to ensure responsiveness to the sector capacity development strategy. In the other two sectors, evidence shows a gradual reduction in the analytical and technical capacities with no significant measures taken by DPs as a complement to BS to counteract this process.

Finally, as seen, there was basically no influence by DPs on gender policies. Improvements – though minimal – were achieved through GoU action supported in some cases by projects with no visible contribution of BS.

Could different and better results be obtained through alternative aid modalities?

As detailed in the following EQs, overall real per capita spending has decreased in the education and health sectors and slightly increased in the water sector. Allocations to the social sectors have decreased as a share of the budget following the decrease of BS flows. Qualitative information gathered through interviews leads to conclude that in the absence of budget support, real per capita expenditure would have decreased even further and it is undoubtable that BS has contributed to sector expenditure in ways which would not have been possible through other aid modalities, being directly associated to strengthening the national policy and institutional framework and not only focused on fragmented features as in the case of projects. The experience of the water sector and the considerations on the low capacity of BS to support additional social investment in health and

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<sup>49</sup> Teacher absenteeism is an example of this. During the 2010 annual governance performance retreat chaired by the Prime Minister (PM), the PS of MoES was challenged by the PM about low proficiency rates in numeracy and literacy, which were below 50%. As a result, the MoES assessed the key issues related to this and with Dutch support developed the Quality Enhancement Initiative (QEI), which focused on raising proficiency levels in the 12 worst districts (recruitment of teachers undertaken & classroom construction). This was reported to have been successful, as 75% of the districts have moved out of the bottom of the district league table (GoU and DP interviews).



education, however, suggest that stronger sector budget supported and other sector policy support programmes associated with basket funds could have better controlled the risk of insufficient sectoral funding compared to GBS.

With respect to capacity building and TA, it is clear that BS has not contributed much to the strengthening of institutional and technical capacities which have in most cases declined. This however is a shortcoming which is not linked to the BS modality per se but rather to the quasi absence of complementary measures especially at local level, where the implementation has shown high inefficiencies. As seen under previous EQs (especially PFM), where complementary measures are foreseen and implemented together with BS, they support and reinforce each other.

Finally, despite the limited contribution provided by policy dialogue to the formulation of policies, it is doubtful that alternative aid modalities could have done better as evidenced for example by the health sector where coherent policy development, planning, and implementation of GoU sector programmes have been adversely affected by the large volume of project funding from the health sector development partners, including USAID, the Global Health Initiatives (GHI) targeting specific diseases.

What emerges from interviews and the results of the e-survey however is that in a number of instances, SBS might have been able to provide stronger contributions to the formulation and implementation of sector policies in the country as was the case in the pre-evaluation and partly also in the pre-JBSF period. In this respect, in fact, GoU and NSA respondents to the e-survey rank SBS as the most significant aid modality in terms of contribution to the formulation and implementation of policy reforms whereas when looking at results for the DPs category, GBS is ranked higher but is closely followed by SBS.

### Summary answer to the evaluation question

Policy implementation processes and public service delivery in both education and health at both central and local level have not shown significant progress over the evaluation period, due to the reduction in the relative shares of the budget destined to the social sectors, the deterioration in the ratio of front line service delivery allocations for each JBS focal sector, as well as increasing cuts in sector budget releases compared to allocations. There has also been a gradual reduction in the analytical, technical and managerial capacities at institutional level. This has not been the case of the water and sanitation sector where policy processes and quality of policies have been progressively improving as a result of a vibrant consultative process.

BS has had no influence on sector policy formulation although it has influenced part of the contents of the policies after their announcement and/ or supported their implementation through the provision of funds as well as through a mix of policy dialogue and accompanying measures. More specifically, budget support has:

- Strongly contributed to maintain a minimum level of sector expenditure in the social sectors. It is clear that without BS funds, service delivery would have further declined as highlighted by numerous interviewees. But real per capita spending has decreased in the education and health sectors and slightly increased in the water sector.
- Supported the establishment of performance assessment frameworks which have contributed to an improved system for policy monitoring and evaluation of results.
- Contributed strongly in the water sector which is characterized by a well-developed sector wide approach, institutional and technical capacities through the use of a mix of aid modalities.

#### 4.1.7 Evaluation question 7

##### EQ7 - Governance & Accountability

*To what extent has budget support contributed to improvements in the quality of governance and accountability, particularly with regard to the roles of Parliament, Civil Society and anti-corruption agencies as ‘watch-dogs’ of the Executive?*

##### Background and context

The accountability “sector” as defined in the Uganda national policy framework since 2007<sup>50</sup> comprises a variety of institutions including: MoFPED, the Inspectorate of Government, the Office of the Auditor General, the Directorate of Ethics and Integrity (Office of the President), a number of other Ministries (e.g. Ministry of Public service, Ministry of Local Government) and other national institutions (e.g. Public Procurement and Disposal of Public Assets Authority, Uganda Bureau of Statistics, etc.). In addition, a “Stakeholders Forum” has been established for the dialogue with the Civil Society (incl. private business, media, anti-corruption organisations, community groups, etc.).

During most of the evaluation period, the legal framework for budget formulation, execution and audit was provided by the 1995 Constitution (amended in 2000 and 2005) and through an elaborated legal framework including a variety of legal acts.

The period has been marked by a series of corruption scandals, with by passed accountability systems. These have included major losses incurred in procurement related to the 2007 Commonwealth Heads of Government meeting. In 2012, the investigations by the Auditor General reported further losses in the payroll and pension systems from “ghosts” and widespread malpractice in the Office of the Prime Minister involving donor funding targeting recovery in northern Uganda. This resulted in the suspension of all budget support and the subsequent elaboration of a High Level Action Matrix (HLAM) by MoFPED to rebuild confidence in financial management systems through the strengthening of internal controls and specific actions against corrupt officials. (see also EQs 1 and 2)

##### Main findings<sup>51</sup>

###### *Quality of scrutiny of budgets and expenditures at national and local levels (Vol. 2: JC7.1 and JC7.2)*

Overall, Uganda governance and accountability indicators have improved across several areas. A number of reviews, including the 2012 PEFA, have assessed positively the quality of external scrutiny of national budgets and expenditures in Uganda. The quality of financial statements has improved, audit reports are done in a timely fashion using international standards of audit, and audit reports are submitted to Parliament within 6 months. As confirmed in interviews, the Parliamentary Public Accounts Committee, an important body involved in overseeing government expenditure, is meeting frequently to get up to date with the examination of audit reports. It receives technical guidance from the Auditor General’s office. The 2012 PEFA notes that this committee holds in-depth hearings with the accounting officers and heads of finance departments of MDAs as cited in the Auditor General’s reports. Hearings are open to the public except on classified expenditure. At a more general level, the 2012 PEFA Assessment considers the procedures of the legislature to be relatively well established and respected.

However, Parliamentary scrutiny of the budget downstream or ex post has remained weak. For instance, Parliament has not debated or approved any of the audit reports on the Consolidated Accounts of the three years up to 2012. While the Public Accounts Committee is active and operational, it is often overwhelmed with a heavy workload and there is a backlog of cases for its consideration.

Frequency of supplemental budgets and their justification are a major issue. Instead of being an exceptional mechanism to adjust budgets in response to extraordinary, well defined circumstances, they are a regular part of the extended budget process, often driven by political rather than economic and strictly budgetary considerations. They are, in part, related to the predictability of BS as the first supplementary budget in the year sometimes takes place when donors confirm financing late in the budget process.

At the LG level, coverage and quality of LG Councils’ scrutiny of local budgets and expenditures has improved. Accounts reconciliation are comprehensive and timely submitted to external audits. In general, audit standards are met. There is, however, poor follow up on audit recommendations. In addition, there are significant delays in the scrutiny of audit reports by the legislature and in the timely reporting of their recommended actions, a function that the 2012 PEFA assesses as weak.

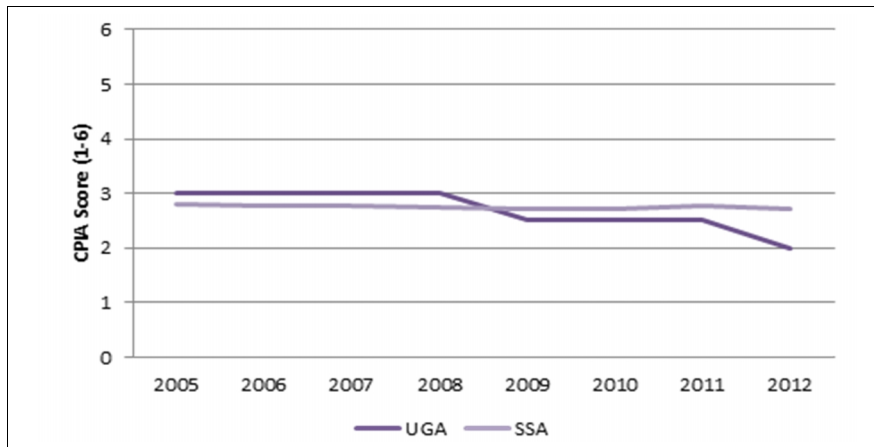
<sup>50</sup> See details provided in the 2010 National Development Plan of the Republic of Uganda.

<sup>51</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

*Policy and institutional frameworks to fight corruption (Vol. 2: JC7.3)*

The overall quality of policies and institutions measured by the CPIA ratings on transparency, accountability, and corruption in the public sector<sup>52</sup> has deteriorated significantly.<sup>53</sup>

**Figure 15** *Uganda vs. Sub-Saharan Africa: CPIA scores on the quality of policies and institutions in the areas of transparency, accountability, and corruption in the public sector*



Notes: ratings range from 1=low to 6=high.

Source: World Bank's CPIA database.

This deterioration contrasts with the remarkable progress the country has made in terms of anti-corruption legal framework and institution building in this area. The main legislative framework developed during the last decade is considered by many<sup>54</sup> as extensive, sound and adequate.

While Uganda's anti-corruption legal framework and governing legislation are assessed as strong, there are problems in the legal framework for political party financing. The country is also still lacking effective implementation and enforcement of the rules in place. The increase in prosecutions since 2006 is considered as insufficient to affect the incentives for corruption and contribute to a deterrent effect of enforcement activities. In general, the continuing lack of substantial progress in prosecution, and conviction of corruption cases at all levels of public institutions is undermining the remarkable gains made in upstream legislative reform and institution building.

### *BS contributions*

By keeping governance and accountability high in the agenda of policy dialogue, BS has contributed to the observed improvements in governance and accountability. Sustained dialogue between DPs and GoU has accompanied the continuous strengthening of the legal framework described above.

Moreover, consistent responses given in field discussions and interviews with key stakeholders indicate that BS funding and accompanying capacity development measures have strongly contributed to the development of key upstream accountability institutions. This is particularly evident at the level of the Auditor General's office (OAG) and the Inspector General's office. For instance, BS matrices and dialogue contributed to assure a reliable and adequate budget for the OAG, allowing it to hire specialized staff needed to carry out its mandate (e.g. forensic, audit officers, sectoral experts).

Complementary support provided by BS DPs through the FINMAP has also supported the development of the Integrated Financial Management Information System (IFMIS), which helped ensure considerable gains in budget execution, and expenditure at central government level but also, as reported in reviews and observed directly by the evaluation team in two districts, at the local level.

<sup>52</sup> Transparency, accountability, and corruption in the public sector assess the extent to which the executive can be held accountable for its use of funds and for the results of its actions by the electorate and by the legislature and judiciary, and the extent to which public employees within the executive are required to account for administrative decisions, use of resources, and results obtained. The three main dimensions assessed here are the accountability of the executive to oversight institutions and of public employees for their performance, access of civil society to information on public affairs, and state capture by narrow vested interests.

<sup>53</sup> It should be noted that PEFA assessments are carried out every four years and, therefore, do not capture the year-to-year variations in the quality of PFM between assessments. By contrast, CPIA ratings on budgetary transparency, financial measurement, and accountability measure somewhat overlapping aspects of institutional and policy performance and are carried out each year.

<sup>54</sup> See Andrews (2013): *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions*. Chap. 6.

The corruption scandal in 2012, arguably, was brought about by Uganda's strong upstream governance institutions, which were consistently supported by budget support. It was also followed up by the government response and reengagement of some donors, resulting in further progress in strengthening and transparency of governance and accountability institutions. Performance matrices regarding governance were also important in helping organize the dialogue around specific indicators and in monitoring implementation. The GoU's High-level Action Matrix (HLAM) provided a useful framework for financial management reform. Because of the HLAM, spotlight was placed and progress made in some areas where it was lagging before.

However, BS and related conditionality did not focus sufficiently on the downstream part of the accountability chain (enforcement, convictions, etc.). As highlighted above, this is an area where implementation was lacking and is only showing some results in the most recent years.

#### **Summary answer to the evaluation question**

Overall, budget support has contributed significantly over the years to the quality of governance institutions and accountability. Governance indicators have improved across a number of areas, especially in the earlier years of the evaluation period and on the upstream side of the accountability chain. Also, budget support and related policy dialogue, directly and indirectly, helped strengthen some key governance and accountability institutions such as the Auditor General's office and Inspector General's office as well as their relative importance within the government institutions.

However, progress is especially lacking regarding downstream of the accountability chain e.g., following up on upstream decisions, enforcement of prosecution, and recovery of funds.

The observed gains achieved could have perhaps also been achieved by greater focus on capacity building and TA targeting specific bottlenecks with possible quicker results (over and above of already substantial support through these instruments provided by DPs included in the form of complementary measures to BS). Budget support however played a key role in ensuring that governance issues remain at the top of the national policy agenda, which would have been more difficult in an environment of mostly projects and/or TA support. Broader institution strengthening requires comprehensive initiatives since capacity issues observed in the various relevant institutions are often interrelated. It is unlikely that project support alone would have contributed with the same success in keeping the governance and accountability issues high in the GoU agenda thus making BS (with the appropriate accompanying measures) a strong instrument for the provision of support in this area.

#### 4.1.8 Synthesis of Step 1 for the three focal sectors

The tables below summarise, for each focal sector of the evaluation, the contribution of BS to the induced outputs. In particular, the tables allow to highlight:

- the causal links between BS and government strategies / policies and policy outputs as well as the roles played by the various BS components (funding, policy dialogue and related performance assessment frameworks, and TA and/or other capacity building initiatives); and
- other (non-BS related) factors - historical, policy, or other internal or external factors - which have influenced GoU strategies / policies and policy outputs.

The three tables, one for each focal sector, all follow the same structure:

- The central column 'GoU policies' presents key sector policies / policy outputs.
- The column on the left hand side, identifies the 'contribution of BS' to changes in the given GoU policy, specifying the type of influence (provision of funds, policy dialogue, capacity building) and the degree of influence:
  - weak: when the factor considered contributed negligibly to the observed change and this would have occurred in any case, albeit in slightly different forms,
  - moderate: when the contributing factor considered has had a significant role - along with other factors - in supporting the observed change. And the latter – in the absence of the factor considered – would have occurred in a reduced and / or more expensive form); and
  - strong: when the observed change would not have occurred in the absence of the contributing factor considered;
- The column on the right hand side identifies other historical and/or internal/external factors which have influenced or contributed to changes in the given GoU policy.

#### Education sector, Step 1 – summary

Table 3 Synthesis of BS contributions to Government's policies (Step 1) – Education

Contribution of BS programmes	GoU policies (induced outputs level in the CEF)	Other historical and/or policy interacting factors, and/or internal or external factors
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: moderate (limited attention paid to quality issues in early years)</li> <li>• Capacity building: weak</li> </ul>	Sector policies (UPE, UPPET) and strategies/plans (ESSP) elaborated (but with limited attention paid to quality issues)	<ul style="list-style-type: none"> <li>• Long political commitment to achieve UPE: strong</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: strong, then weak (donor shift to project support)</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	Public funding available to support service delivery expansion (e.g. Capitation Grant, School Facilities Grant)	<ul style="list-style-type: none"> <li>• Population growth: strong (constraining factor)</li> <li>• District division: moderate (constraining factor)</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: moderate</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	Quality Enhancement Initiative implemented in the 12 worst districts	<ul style="list-style-type: none"> <li>• Lack of capacity at district level</li> <li>• Patronage driven local systems</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	UPE and UPPET incorporation of EFA goals relating to access for girls; and Gender in Education Policy	<ul style="list-style-type: none"> <li>• Lack of capacity/political will to implement gender initiatives</li> <li>• Shift in aid modality from SBS to projects and fragmentation of projects</li> </ul>

Sector policies, strategies and plans (UPE and UPPET) have been developed as a result of Presidential initiatives with the main focus on increasing access to education. The availability of BS funds has underpinned such initiatives and BS related dialogue has played a moderate role in developing sector plans and strategies based on GoU policies, as well as supporting implementation. BS dialogue also played a role in focusing attention on the quality of education, although in practice this has proved much harder to address. There has been little capacity building support in the education sector that has been directly linked to BS.

BS has supported the expansion of the education sector but this has not been sufficient to ensure adequate funding, given the rapid increase in student numbers that has been both policy driven and a result of rapid population growth. Overall, funding in real terms to education from the GoU budget has decreased and this has not been compensated for by BS. In addition, as at the same time education



donors have moved away from BS to project modalities. There has been minimal capacity building in this area.

Enhanced quality of education has been supported strongly through BS dialogue in the latter half of the evaluation period and various initiatives designed to improve the quality of education, although most have been through project support. One more recent initiative has been the GoU Quality Enhancement Initiative to support the 12 worst performing districts. This was a MoES initiative which was also donor funded and monitored through the JBSF.

Gender equality in terms of access has been strongly promoted in MoES policy through UPE and UPPEP and there have been significant achievements in terms of gender parity in enrolment at primary level. This has been supported by BS funds and dialogue. There has been less success in addressing issues such as the level of drop-out of girls, with the majority of work on gender issues being undertaken through donor projects.

### Water sector, Step 1 - summary

Table 4 Synthesis of BS contributions to Government's policies (Step 1) - Water & Sanitation

Contribution of BS programmes	GoU policies (induced outputs level in the CEF)	Other historical and/or policy interacting factors, and/or internal or external factors
<ul style="list-style-type: none"> <li>Financing: moderate</li> <li>Policy dialogue: moderate</li> <li>Capacity building: moderate</li> </ul>	Decentralisation of governance and service delivery	<ul style="list-style-type: none"> <li>Donor projects: moderate (supportive)</li> <li>Lack of capacity at LG level: strong (constraining factor)</li> <li>Creation of new districts: moderate (constraining factor)</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: strong</li> <li>Capacity building: weak to moderate</li> </ul>	National Framework for Operation and Maintenance of Rural Water Supplies (2004, revised 2011)	<ul style="list-style-type: none"> <li>Donor projects: moderate to strong (supportive, but constraining during emergency assistance in Northern Uganda)</li> <li>Lack of capacity at LG level: moderate (constraining factor)</li> <li>Political interference: moderate (constraining factor)</li> </ul>
<ul style="list-style-type: none"> <li>Financing: moderate</li> <li>Policy dialogue: strong</li> <li>Capacity building: moderate</li> </ul>	Provision of piped water supply and sanitation to rural growth centres and small towns through WSDFs	<ul style="list-style-type: none"> <li>Donor projects: strong</li> <li>Rolling out of Umbrella Organisations: moderate</li> <li>Urbanisation: strong</li> <li>Population growth: strong (constraining factor)</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: strong</li> <li>Capacity building: weak</li> </ul>	Memorandum of Understanding / Budget line for sanitation by three line ministries	<ul style="list-style-type: none"> <li>Donor projects: strong</li> <li>Lack of capacity at district level (constraining factor)</li> <li>Poverty: moderate (constraining)</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: weak to moderate</li> <li>Capacity building: absent</li> </ul>	Water and Sanitation Gender Strategy (2010)	<ul style="list-style-type: none"> <li>Donor projects: moderate</li> <li>Male-dominated sub-sector (constraining factor)</li> <li>Software activities are given low priority at local government level (constraining factor)</li> </ul>

Decentralised implementation of construction and rehabilitation of rural water sources has gradually taken place. New sector strategic frameworks and financing instruments were also established over the period such as the National Framework for Operation and Maintenance of Rural Water Supplies or the Water Supply and Sanitation Sector Investment Plans and models, which were developed to guide the financing of the sub-sectors towards reaching targets.

New approaches such as the Water Supply Development Facilities (WSDF) were rolled out to the country following successful implementation of a pilot project in South Western Uganda, in order to step up the construction of multi-year piped water supplies in a rapidly urbanising country. Maintenance, rehabilitation and expansion of these schemes remains a bottleneck as tariffs are not able to cover all related costs, although Umbrella Organisations were rolled out in a bid to address this challenge.

BS has substantially contributed to increased sector funding which helped to implement the GoU initiatives in the sector, in particular the provision of piped water supply to rural growth centres through

WSDFs and the National Framework for Operation and Maintenance of Rural Water Supplies. DPs also supported decentralised implementation of policies through SBS, intended, for instance, for funding through the District Water and Sanitation Conditional Grant. However, although new financing instruments were established and overall the level of funding was maintained in the sector, resources available at the local level remained insufficient, suggesting a moderate effect of BS on the actual implementation of GoU policies and strategies in the sector.

Policy dialogue and technical support in the context of annual joint sector reviews and joint technical reviews have contributed to performance monitoring which is now a standard and integral part of sector reporting, hence improving policy implementation.

Strong policy dialogue also contributed to step up decentralised capacity building and was key to support the introduction and rolling out of WSDFs and Umbrella Organisations, as well as training by Technical Support Units (TSUs) for rural water supply implementations at district level. Capacity development through TSUs has been instrumental in optimising decentralised implementation. However, capacity at district level, especially in the newly created districts, remains insufficient, and strict conditional grant guidelines have been used, which limits district LG responsibility for setting their own development and spending priorities. Continued fragmentation of districts has also increased the number of LG staff that needs to be trained and resulted in an increasing number of vacant district water office staff.

Policy dialogue also contributed to an increased focus on gender, and the monitoring of a gender indicator in the performance measurement framework. Although gender awareness has been raised, implementation of activities focused on enhancing gender equality is still not taking place in the sector.

### Health sector, Step 1 - summary

Table 5 Synthesis of BS contributions to Government's policies (Step 1) – Health

Contribution of BS programmes	GoU policies (induced outputs level in the CEF)	Other historical and/or policy interacting factors, and/or internal or external factors
<ul style="list-style-type: none"> <li>• Financing: moderate</li> <li>• Policy dialogue: weak to moderate</li> <li>• Capacity building: weak</li> </ul>	Sector policy (NHP I and II) and associated plans (HSSIP I and II) elaborated (but with limited coherence and realism in terms of objectives and targets)	<ul style="list-style-type: none"> <li>• Limited leadership and strategic guidance in sector</li> <li>• Poor governance and capacity</li> <li>• Limited local level flexibility (e.g. related to allocation of financial resources)</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: weak to moderate</li> <li>• Capacity building: weak</li> </ul>	Weak quality of care assurance system and mechanisms	<ul style="list-style-type: none"> <li>• Low capacity at central and local levels</li> <li>• Internal factor: policy focus on quantitative output objectives</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: absent to weak</li> <li>• Policy dialogue: weak</li> <li>• Capacity building: weak</li> </ul>	Establishment of a gender focal point at MoH, although not full-time but generally weak gender policy designs across sector	<ul style="list-style-type: none"> <li>• Generally weak capacity (particularly at local levels)</li> <li>• Incoherent implementation of gender strengthening initiatives</li> <li>• Weak overall political leadership</li> </ul>

Sector policies. The GoU has developed a series of policies, strategies and plans over the past decade. In particular, The Uganda National Minimum Health Care Package (UNMHCP), defined under HSSIP II, has been a cornerstone of the GoU/MoH's strategies to improve access to basic health services. BS dialogue has contributed to some extent to these policy developments.

Since the mid-2000s, BS has also played a supplementary role in terms of funding which contributed to the implementation of ambitious strategies to expand service delivery. BS funds directly contributed to supporting the expansion of provider networks. However, the GoU's reprioritization across its expenditure programme away from social sectors towards infrastructure investments minimised this additionality of BS funds at sectoral level. In addition, the health sector has been particularly fragmented in terms of external funding, with large off-budget, disease priority programmes only partly linked to overall sector spending frameworks.

On the other hand, sector policies, strategies and plans throughout the evaluation period had a strong focus on quantitative outputs, such as the expansion of provider clinics, supply of basic drugs, and staffing of hospitals. Some evidence shows that there have been significant weaknesses in terms of efficiency and procedures to address the actual sector challenges by making the best use of the

available financial, technical, and managerial resources. BS has only partially helped to address these weaknesses. In particular, capacity building efforts associated to BS remained limited.

Generally, issues related to quality of health care have not been addressed in a coherent or sustained manner by GoU. Reflecting the notion of infrastructure weaknesses and lack of access to most services for large swathes of the population, quality concerns have only been prioritized over the most recent years. BS has played some role by supporting a more constructive policy dialogue but no significant role in terms of capacity building.

There were relatively weak gender policies in the health sector over the evaluation period. While the notion of gender equality is present in the strategies, their actual implementation has overlooked the issue. Some gender training has taken place at central and local levels, although follow-up activities appear wanting. These issues were not explicitly addressed in the framework of BS.

## 4.2 Step 2

### 4.2.1 Evaluation question 8

#### EQ8 - Education

*To what extent, in the education sector, have the development outcomes pursued through the policies and programmes supported by BS been (or are being) achieved? And which have been the determining factors of their achievement?*

#### Background and context

The institutional framework for education service delivery in Uganda comprises the Ministry of Education and Sports (MoES) at central level (13 departments and 8 affiliate organisations), the district local government/authorities and schools and institutions (public and private).

The two most significant sector policies in education have been the introduction of:

- the Universal Primary Education (UPE) in 1997; and
- the Universal Post Primary Education and Training (UPPET) in 2006.

These two initiatives were both Presidential policy commitments in the 1996 and 2005 elections respectively. The UPE abolished user fees in primary education and the UPPET aimed to expand access to secondary education. These policies were translated into the Education Sector Strategic Plan (ESSP) 2004-2015 and the ESSP 2010-2015. Other policies of note have been the Gender in Education Policy of 2009 and the Education Act of 2009, which defined the roles and responsibilities of the key institutions at different levels of government and institutions. In the 1990s, Uganda also entered in a new phase in its decentralisation process. In education, this resulted in:

- the MoES being responsible for education policy and monitoring, the implementation of sector policies, as well as teacher training;
- districts and municipalities were responsible for teacher recruitment, deployment and supervision.

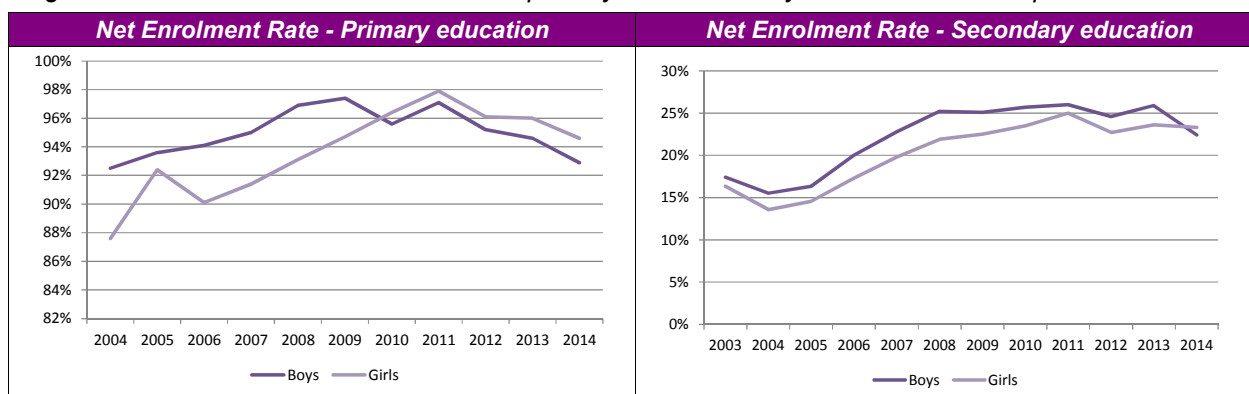
Districts are also responsible for disbursement and management of funds for primary education received to implement UPE through conditional grants (UPE and USE capitation grants are now sent straight to schools), but there are significant conditions on how these grants can be spent and the purchase of instruction materials is still centralised. There is less decentralisation for secondary and technical/vocational education, which remains largely centralised. The payment of salaries and supervision is decentralised, but the recruitment and deployment of secondary teachers remain centralised.

*Main source: Hedger et al (2010) - SBS in practice.*

#### Step 2 - Main sector outcomes<sup>55</sup>

With a rapidly growing population (population growth rate remained above 3% during the past decade), demand for basic education services increased significantly. Access to education at both primary and secondary level has been the main area of success. As illustrated in Figure 16 below, evolutions in key sector indicators sustained the positive trends initiated in the 1990s<sup>56</sup>.

**Figure 16** Evolution of enrolment in primary and secondary education over the past decade



*Source: MoES (2013).*

In terms of primary school Net Enrolment Ratios (NER), indicators have increased significantly over the evaluation period (from 85%-90% in the years 2000-2004 to 94.3% in 2013). Similarly, at secondary level, there has been a significant increase in enrolment rates since 2004, which have risen from 697,507 (male 383,652; female 313,855) in 2004 to 1,257,000 (male 672,820; female 505,540).

<sup>55</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

<sup>56</sup> The quality of data relating to the education sector is an issue as the data used is generated through a MoES annual survey and not all schools, particularly in the private sector complete the survey. In the public sector there is an incentive to over report enrolment numbers as funding is allocated per pupil enrolled. As a result, the data used is not entirely robust and while enrolment is likely to be over reported, drop out rates are likely to be underreported.

Although girls still lag behind boys in secondary school enrolment, gender equity in enrolment was achieved at primary level (NER in 2013 – boys: 93.9%; girls: 95.1%).

This represents a better performance than other countries in East Africa, as in Tanzania the NER at primary level was 92% in 2012, although gender parity in enrolments was also achieved in Tanzania (ITAD 2013). In Kenya, the primary education adjusted NER was 84% in 2011, as Kenya has more out of school children than either Tanzania or Uganda, but gender parity was almost achieved. The transition rate from primary to secondary level was higher in Uganda at 57%, as compared to Tanzania at 37% (no figures were available for Kenya), while the percentage of girls enrolled in secondary education was similar with 45% for Uganda, 46% for Tanzania and 47% for Kenya in 2011 (UNESCO 2013).

However, the trend of increasing access to education is slowing and Uganda faces persisting inequalities in access to education relating to gender, income and location. In terms of geographical disparities, the Uwezo survey in 2012 found that the top 10 performing districts in literacy and numeracy at primary level were predominantly in the Central region, followed by the Western region with only one district from the Eastern region. The bottom 10 performing districts were mainly in the North and the Eastern regions.

As highlighted in the 5<sup>th</sup> JBSF joint assessment report, access to basic services is unevenly spread, with significantly lower levels of access to health and education services experienced by the poorest households. A 2012 study by the MoFPED found that economic vulnerability played a key role in children withdrawing from primary education, as households were unlikely to bear the costs of sending children to school in anticipation of future returns if they could not meet immediate needs. Similarly, late enrolment in primary school – with a negative impact on completion rates and the number of years of education received – disproportionately affects the poorest households. A study by the MoGLSD in 2012 found that children from households in the richest two deciles were more likely to start primary school earlier or at the correct age, than households in the three poorest deciles where children were more likely to have delayed entering primary school by a year or more. This was the case in both 2005/6 and 2009/10, the two years for which a survey was undertaken.

In addition, the significant progress in increasing access to schooling and in decreasing some gender disparities in terms of access, particularly at primary level, has not been matched by an equivalent rise in the quality of education:

- Completion rates at primary 7 have risen for girls from 54% in 2004 to 67% in 2013, but there has been a decline for boys from 72% in 2004 to 67% in 2013. These figures mask important socio-economic and geographic inequities. The MoFPED 2012 Poverty Status Report found that, in 2009/10, 28% of 13-18 year olds in Uganda had completed primary school. However, less than 11% of 13-18 year olds from households in the North with a subsistence farmer heading the household had completed primary level, compared to 68% of that age group in the central region whose household head had completed secondary level education.
- There are very low survival rates to primary 7, indicating that the majority of pupils have dropped out by this point (31% survival rate for both girls and boys in 2013). Field visits by the evaluation team found that in some schools the drop out rate was higher at over 80% suggesting significant variations in the number of dropouts. Also dropouts are highest in poorer households. In 2009/10 dropouts were highest for girls in the poorest quintile of households and for boys in the lowest two quintiles of households (MoGLSD, 2012).
- There has been an increase in the Primary Leaving Examinations (PLE) Performance Index (from 51.5% for boys and 45.6% for girls in 2004 to 65.1% for boys and 59.5% for girls in 2013), but a decline in literacy and numeracy competence at Primary 6 (e.g. numeracy proficiency decreased from 54% in 2009 to 45% in 2013).
- In comparison to other countries in East Africa, Uganda scores badly on learner achievement, with Ugandan children performing less well than Kenya and Tanzania. This is the case particularly on numeracy tests at grade 2 level in primary (age 10+) undertaken by Uwezo, where Uganda performed worse than both Kenya and Tanzania in 2012, although better on literacy than Tanzania, but not Kenya (Uwezo 2013).

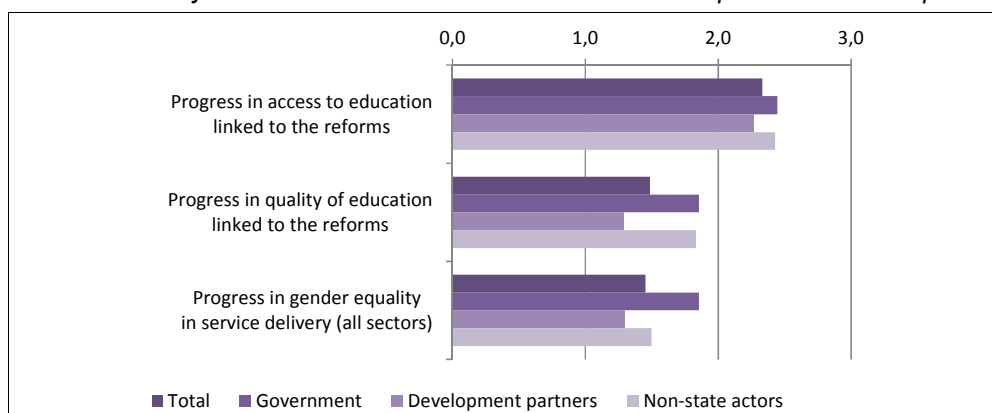
The considerable growth in private schools is reported to be in response to the poor quality of state schooling (interviews & MoES 2013). In 2005/06, there were 44.5% of urban children and 15.8% of rural children in private primary schools. By 2009/2011, this had increased to 52.1% of urban children and 19.2% of children living in rural areas (MoGLSD, 2012). There are estimated to be 4,000 private secondary schools more than double the number of public schools. Overall, 13% of primary enrolment



in 2011 was estimated to be in private institutions, as compared to 3% in Tanzania and 11% in Kenya (UNESCO 2013).<sup>57</sup>

The mixed picture described above is reflected in perceptions of the various stakeholders met and illustrated by the scores given by respondents to the eSurvey on the progress made in the education sector (see Figure 17 below). Scores are particularly low for aspects related to the quality of education.

Figure 17 e-Survey - Sector evolutions linked to the reforms implemented in the past decade



Source: Stakeholder survey - Particip GmbH (2014).

## Step 2 - Analysis of determining factors

The analysis of determining factors in the Education sector has relied on a wide range of sources of information to understand the mechanisms explaining the main sector evolutions observed above. identify some of the causal determinants of educational access and achievement. The set of potential determinants analysed in those regressions includes a range of financial, physical and human resources provided under GoU policies and programmes.<sup>58</sup> In addition, information collected through a variety of documentary sources (e.g. public expenditure reviews, recent studies/evaluations, sector performance reports, field survey carried out by the evaluation team and other surveys on service delivery, etc.) were cross-checked and enriched through interviews with national and local stakeholders, and direct observations by the evaluation team.

The determining factors identified were classified in four broad categories: i) factors related to financial resources; ii) policy factors; iii) institutional factors; iv) other factors.

### Factors related to financial resources

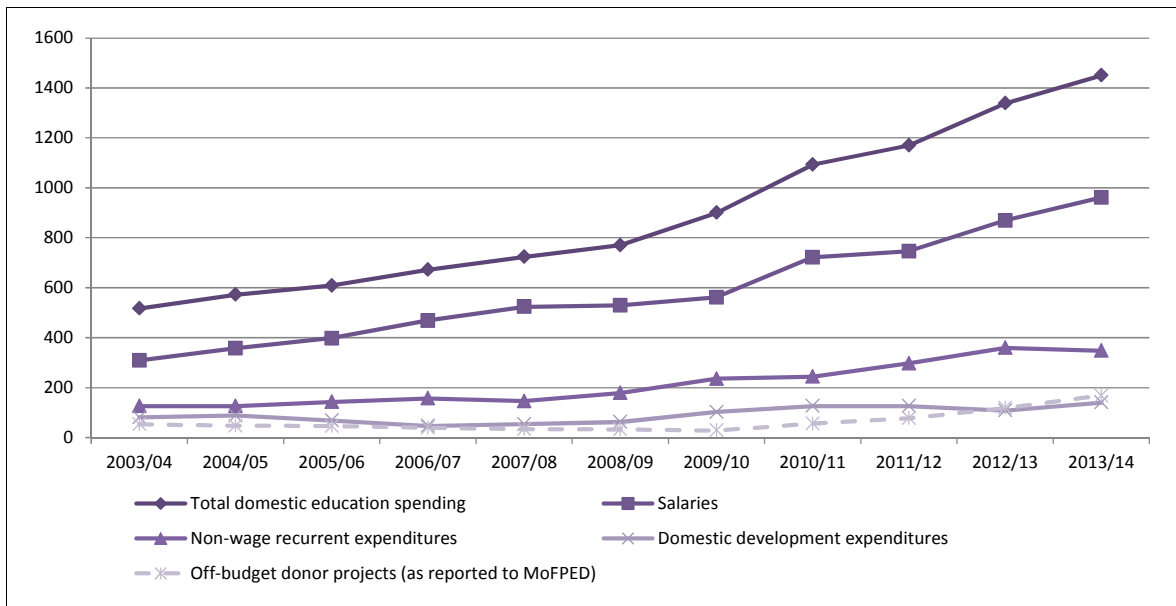
The interviews and survey results indicate that funding (through financing more schools, classrooms, latrines, teaching materials, etc.) has been important for increasing access to both primary and secondary education, although at the same time the sector remains underfunded, which has impacted on the quality of education provided. This funding has been provided by the government budget, DPs and parental contributions.

The Capitation grants assisted in the scaling up of both primary and secondary education capacity, which allowed for an increase in enrolment at both levels. The Schools Facility Grant assisted districts to build more teacher housing, classrooms and washrooms. GoU financing was also used for teacher training. The figure below depicts the increases in nominal expenditure over the evaluation period.

<sup>57</sup> <http://www.education.go.ug/data/smenu/50/Private%20Schools%20and%20Institutions.html>

<sup>58</sup> Detailed econometric results are presented in Annex 6 (Volume 3).

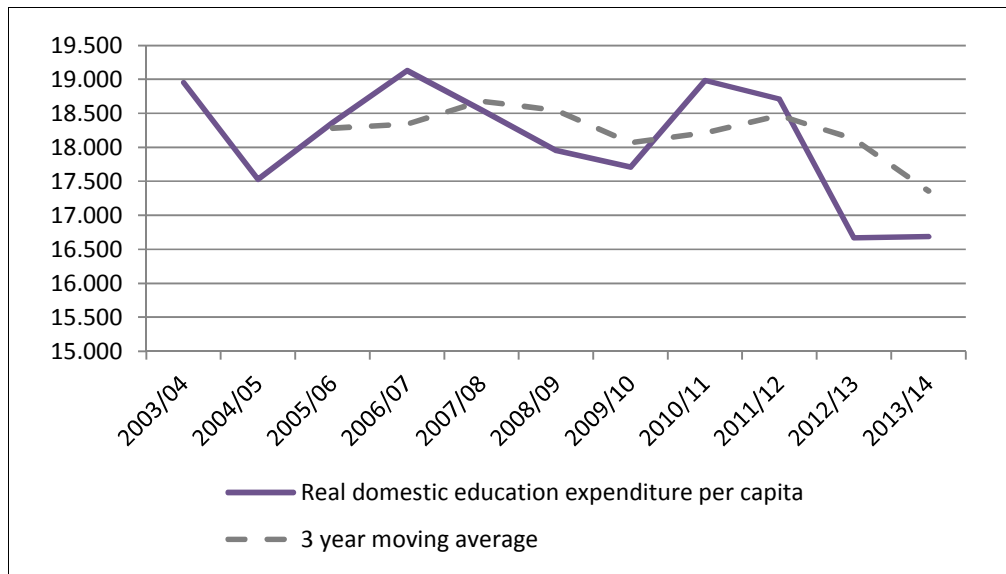
Figure 18 Education expenditure, 2003-2013, billion Ush (nominal)



Source: 2014 MoFPED.

- Several interviewees both at central and district level reported that UPPET and programmes to expand access at both primary and secondary levels were introduced without a commensurate increase in funding for the education sector. Real per capita spending on education has even decreased, as shown in the figure below. In FY 2013/14, real per capita education expenditure was 12 percent lower than in FY 2003/04.

Figure 19 Education real per capita domestic expenditure, 2003-2013, constant 2010 Ush



Source: Own calculations based on 2014 MoFPED and World Bank national accounts data.

- This resulted in funds being spread too thinly over the sector with underfunding experienced at both primary and secondary level. In recent years, this problem was exacerbated by:
- The GoU switching focus to funding economic infrastructure rather than social sectors.* The 2013 PER<sup>59</sup> notes that central government expenditures have shifted towards development expenditures with real GDP per capita development expenditures doubling between 2001/2 and 2012/12 and development expenditures increasing from 25% to 40% of central government spending, while recurrent expenditures remained relatively constant (2013 PER). At the same time, the education sector, which accounts for around 50% of local government budgets,

<sup>59</sup> World Bank (2013): *Public expenditure review*.

experienced a reduction of 20% in real per capita transfers between 2001/2 and 2011/12 (2013 PER).

- *The increase in the number of districts.* This duplicated administrative structures without increased financing.<sup>60</sup>
- *DPs moving to project support.* This resulted in less overall funding for implementing education sector plans.

In real per capita terms, intergovernmental transfers decreased, particularly the unconditional components, which gave the greatest fiscal flexibility. In FY 1995/6, the unconditional element of local government funding from central government was 35%, by FY 2012/13 this had declined to less than 5% (World Bank, 2013). The abolition of the graduated tax in 2003/4, which allowed districts to levy taxes at local level also exacerbated the problem of a lack of funding at district level. In particular, this is seen as having had consequent implications for staffing at district level, as vacancy rates are high (WB PER 2013 and Williamson et al, 2014).

This has led to an important role played by parental contributions in terms of filling some of this funding gap in education at both primary and secondary level. Despite the official policy of primary education being free, parental contributions have been important in paying for additional teachers, classrooms and teacher house construction and learning materials. Donor projects have also played a significant role in funding the supply of teaching materials, teacher training, school construction, construction of washrooms and latrines and community sensitisation work, particularly in gender.

### *Policy factors*

There has been a disconnect between policy implementation and financing of the sector which has impacted on sector outcomes. Education policy has failed to deal with escalating demand by undercutting financing of both primary and secondary education and also by eliminating the graduation tax, while mandating universal primary and post-primary education without adequate financing and capacity building. The funding mechanisms that have been established such as the School Facilities Grant and the School Inspection Grant have not been adequate to compensate for the substantial increase in enrolments, as a result of policy and population growth. This has undermined gains in access and, especially, quality and represents a key policy failure.

Quality of education has not been addressed to any significant extent through education policy, although the Quality Enhancement Initiative (QEI) was introduced in 2009, but this was limited to raising the quality of education in the 12 worst districts in Uganda.

Other key policy initiatives were reported by interviewees to have not been implemented comprehensively, such as the Gender in Education Policy introduced in 2009. As a result, the main gender focus in policy terms has been on access, rather than on comprehensively addressing other issues, which prevent girls dropping out or completing at both primary and secondary level. The econometric analysis undertaken by the evaluation team also suggests that, at the primary level, female enrolment responded relatively stronger than male enrolment to additional classrooms and seating spaces within classrooms, as well as to gender-segregated latrines for girls, leading to a statistically significant reduction in the gender gap in primary enrolment. At the secondary level, provision of single-sex schools for girls significantly reduced the gender gap in enrolment. (see Volume 2 - EQ8 and Volume 3 - Annex 6). There has however been less policy focus and success in practice, in terms of reducing the drop out rate for girls (and boys). There have been initiatives in terms of the construction of gender segregated washrooms and latrines and there has also been some attention paid to the training of female teachers and sensitisation work in communities (source: interviews, survey and MoES 2007 & 2013). A lot of this work has been undertaken through DP funded projects.

As illustrated in the field survey, some challenges remain in terms of gender mainstreaming at school level. Some regions have been more successful than others in recruiting female teachers at primary level. In Karamoja in the North of Uganda female teachers were only 29% of total teachers in state schools, whereas in Buganda in the Central region this figure was 53% (MoES 2013). At secondary

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<sup>60</sup> The 2014 IEG evaluation of decentralisation in Uganda analyzed the effects of the proliferation of districts. The case of Bushenyi – one of the best performing districts in Uganda - both before and after the splitting is instructive. Bushenyi was divided into five separate districts in 2010. Before this, the district was receiving government grants of UGX 42,621 per capita. It ranked 10<sup>th</sup> in the FY09 Health District League and 11<sup>th</sup> in the FY08 Education District League (out of 80 districts) and it had 91 percent of strategic posts filled. The splitting of the district into five in 2010 led to a dramatic reduction of per capita grants even in nominal terms for 80 percent of the combined population of the five new districts, a reduction of staffing to 81 percent for what remained as Bushenyi and to 8 percent for the other four districts. While Bushenyi itself improved its FY11 Health District League position from 10<sup>th</sup> to 2<sup>nd</sup>, the remaining four new districts fell to 61<sup>st</sup>, 68<sup>th</sup>, 93<sup>rd</sup>, and 104<sup>th</sup> position out of 112 districts.

level there were 23.7% female teachers in the sector (government and private schools), with again Karamoja in the North having the least number of female teachers.

In interviews it was noted that the conditional nature of grants to the districts results in little scope for implementing activities to mainstream gender, as funds are not allocated for this.

#### *Institutional factors*

Institutional factors have also negatively impacted on sector outcomes. There has been little attention to capacity building at either central or local level. In general, the technical capacity of the MoES at central level was reported to be declining and capacity at local level has always been weak and has not been addressed by any DP initiatives. This has been exacerbated by a declining interest by DPs in overall sector performance, given the shift to projects, which has led to DPs focusing on their particular sub-sectors and investing less time and resources on overall education sector issues.

This is a particular problem at district level given the funding issues outlined above and the fact that District Education Offices are not funded by the GoU budget, as they are reliant on local revenues for funding which have significantly decreased. This means that they have been less able to undertake their key functions of oversight of primary level education, particularly since the graduation tax was abolished, which was used to provide funding (Hedger et al, 2010). There is an Inspection Grant that is provided to the District Education Office for schools inspection, which was introduced in 2009 at the time the MoES revised the Basic Requirement Minimum Standards that is used for conducting school inspections (JICA 2012). It was highlighted in interviews that this grant is helpful, but not sufficient for conducting the required three school inspections at primary level per year and ensuring quality standards are adhered to.

These differences in capacity and funding result in a large variation across districts in spending, performance and value-for money. An estimated one-third of expenditures in primary education has been wasted or used inefficiently. At secondary level, the distribution of secondary education expenditure was found to have no relationship to need, with inefficiencies stemming from low workloads, poor teacher deployment and low teacher salaries (World Bank, 2007, 2008 & 2013). This has resulted in significant differences between districts and as noted above, urban and rural areas, which have in turn impacted on educational results. The World Bank estimated that in terms of outcome to spending ratios, the Central and Western regions of Uganda performed better than the Eastern and Northern regions. The best performing districts had relatively high incomes and moderate levels of spending per capita, but were well managed and performed well in terms of transforming spending into positive educational outcomes. (World Bank, 2013)

- Teacher absenteeism and low level of knowledge of the curriculum has also been a recurrent problem affecting the sector performance. The 2013 World Bank study *Education and Health services in Uganda – data for results and accountability* explains that more than 1 out of 4 (27%) of teachers in public schools were not at work and, of those who were in school, about 1 in 3 (30%) were not teaching, which resulted in 40% of public school classrooms with no teacher teaching.<sup>61</sup> There were significant rural-urban differences with 19% of teachers in urban areas absent and 31% in rural areas. The survey estimated that the average primary 4 student in the North received only 50 actual days of teaching year, which was 90 days fewer than a pupil in Kampala. Only 19% of teachers at primary level demonstrated sufficient mastery of the curriculum that they taught. Interviews and other anecdotal evidence also indicated that state school teachers often teach in private schools located within or adjacent to state schools. This draws resources away from state schools serving mainly the poor, to the private schools, which serve the children of wealthier households further exacerbating inequities.

Similarly, the low community participation in primary schools has been recognised as affecting negatively learning performance in Uganda. This was due to the introduction of UPE, which was interpreted by communities as the government providing free education, implying there was little need for parental involvement.

Other institutional factors that influence the GER according to the econometric analysis carried out for this evaluation (see Volume 2 - EQ8 and Volume 3 - Annex 6) confirm the observations made by other sources (interviews, sector performance reports, etc.) that specific service delivery inputs have been important determinants of improved access to education (gross enrolment ratios). These determinants include the construction of new schools and classrooms, the number of teachers in place and adequate seating space.<sup>62</sup>

<sup>61</sup> The “Service Delivery Indicators for Uganda” measured in this study are based on surveys of about 400 primary schools and 400 health facilities, and nearly 5,300 teachers and health providers.

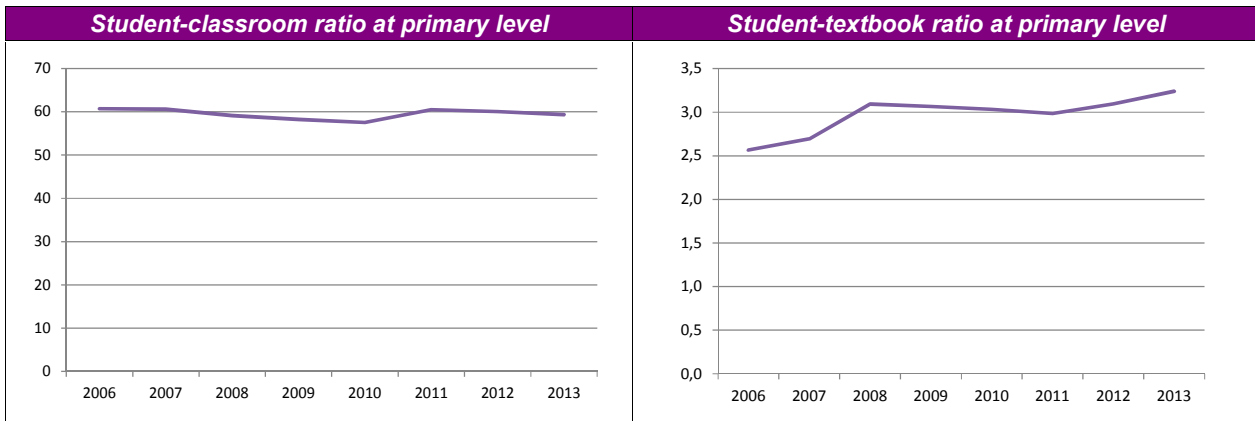
health facilities, and nearly 5,300 teachers and health providers.

<sup>62</sup> More specifically:

In terms of the quality of education, the number of students per classroom influenced completion rates at primary level, as it was found that having 1 student less per classroom increased the completion rate by 0.2 percentage points. Also funding was an import factor in influencing completion rates, with a positive correlation between these two determinants. PLE pass rates have been influenced by a variety of factors such as lower student-classroom and pupil-teacher ratios, the availability of adequate seating and desks and higher numbers of qualified staff.<sup>63</sup>

Pupil-teacher ratios<sup>64</sup> have not substantially improved, student-classroom ratios have remained high and indicators such as student-textbook ratio have worsened<sup>65</sup> (see Figure below). This partially explains why quality has not improved significantly in the education sector.

Figure 20 Education sector basic service delivery indicators



Source: Own calculations based on EMIS (2014).

#### Other factors

Rapid population growth (estimated at 3.5% per annum) has put significant pressure on resources and facilities available for education and as a consequence made quality improvements very challenging in the light of increasing students enrolments and the GoU focus on increasing access. The increase in total enrolment in primary schools is the result of the growth in the population of school going age children<sup>66</sup> (MoES, 2014).

Socio-economic and geographic differences have also impacted on education outcomes. An Uwezo survey carried out in 2012 found that children from poorer households consistently achieved lower competency levels, on all tests and across all ages. The proportion of children in 2012 passing both the Uwezo literacy and numeracy tests in non-poor households was double the pass rate of children in ultra-poor households (Uwezo 2013). Similarly, a study undertaken by the World Bank found that there were large and persistent differences between urban and rural student outcomes in literacy and numeracy at the primary level in favour of urban students in P6, the urban-rural gap was around 20 percentage points in literacy and about 10 percentage points in numeracy (Najjumba and Marshall, 2013).

#### Summary answer to the evaluation question

Increased access to education has been the major achievement in the education sector, Achievements in increasing access are largely attributable to GoU investment in infrastructure, teachers and the

- **Schools:** 1 additional school per 10,000 children of primary school age increased the male and female GERs in primary by 1.5 to 2 percentage points and somewhat less at secondary level.
- **Teachers:** 1 more teacher per 1,000 children at primary level produced an increase of 1 percentage point in male and female GERs at primary level and 0.3 percentage points in the female GER at secondary level.
- **Classrooms:** 1 additional classroom for all schools led to a roughly 3 percentage point increase in the male and female GERs at primary level and to 1 percentage point increase at secondary level.
- **Adequate seating:** 1 additional space in all classrooms raised the male and female GERs in primary by 0.5 to 1 percentage points and by 0.2 percentage points in secondary.

<sup>63</sup> These findings converge with those of other studies. Using data from 2006-2010, an earlier study carried out by the World Bank found that, at primary level, teacher attendance, school size as determined by enrolment, and the availability of toilets and first aid services at school, explained 13 percent of the variation in the proportion of students who pass the PLE in grades 1-3. However, key inputs such as trained teachers showed no significant association with the percentage of students passing this exam (Mulindwa Najjumba, I. & J. H. Marshall 2013).

<sup>64</sup> Student-teacher ratios remain close to 50. There was a marginal increase in the employment of female teachers.

<sup>65</sup> According to UNESCO (2011 UNESCO institute for statistics), Uganda scores worse than many other SSA countries (incl. Tanzania – ratio of 2.9 in 2012 – and Rwanda – ratio of 1.3 in 2011).

<sup>66</sup> Uganda has one of the highest proportion of young children (age 0-14 years) in the region.



abolition of fees at both primary and secondary level. However, there has also been a significant contribution to funding the education sector made by parents through financing additional teaching staff, teaching materials and infrastructure, as well as by donor projects.

The quality of education has experienced little improvement particularly in terms of results and learning achievements. This has been due to underfunding of the sector and weak capacity particularly at local level, combined with increases in enrolment and population growth.

Gender equality has been achieved in rates of enrolment between boys and girls at primary level, although girls still lag behind boys in secondary school enrolment. Drop-out rates for girls remain high and in some areas are also high for boys.

Uganda still faces geographic and socio-economic inequalities in education. There is significant variation between districts in access to education and learning achievements, with pupils in urban areas and those from wealthier families achieving better educational outcomes.

*Table 6 Synthesis of factors determining changes observed at the outcome and impact levels (Step 2) - Education*

<b>GoU Policies (induced output level in the IL) having contributed to</b>	<b>Development Results</b>	<b>Other historical and/or policy interacting factors, and/or internal or external factors</b>
<ul style="list-style-type: none"> <li>Government policy / strategy (UPE &amp; UPPET) and funding mechanisms (e.g. Capitation grant, School Facilities Grant): strong</li> </ul>	Improvement in access	<ul style="list-style-type: none"> <li>Population growth (constraining factor): very strong</li> <li>Poor capacity at both MoES and local level: strong</li> <li>Donor projects: moderate</li> <li>Parental contributions: moderate</li> </ul>
<ul style="list-style-type: none"> <li>Government policy / strategy (UPE &amp; UPPET): weak</li> <li>Quality Enhancement Initiative: weak to moderate</li> </ul>	Persisting issues in quality (e.g., low learner achievement)	<ul style="list-style-type: none"> <li>Population growth: very strong</li> <li>Underfunding: very strong</li> <li>GoU switching focus to funding economic infrastructure: strong</li> <li>Poverty level: very strong</li> </ul>
<ul style="list-style-type: none"> <li>Government funding mechanisms (e.g. School Facilities Grant): moderate</li> <li>Gender in Education Policy: weak</li> <li>UPE and UPPET gender goals: moderate</li> </ul>	Gender parity at primary level but drop out rate for girls (and boys in some areas) remains high at both primary and secondary level.	<ul style="list-style-type: none"> <li>Income inequalities: very strong</li> <li>Cultural issues: very strong</li> <li>Donor projects: moderate</li> </ul>
<ul style="list-style-type: none"> <li>Government policy / strategy (UPE &amp; UPPET) and funding mechanisms (e.g. School Facilities Grant): weak to moderate</li> <li>Quality Enhancement Initiative: moderate</li> </ul>	Geographic and income inequalities	<ul style="list-style-type: none"> <li>Conflict affected areas/Poverty level in certain regions: very strong.</li> </ul>

## 4.2.2 Evaluation question 9

### EQ9 – Water

**To what extent, in the water sector, have the development outcomes pursued through the policies and programmes supported by BS been (or are being) achieved? And which have been the determining factors of their achievement?**

### Background and context

The overall responsibility for the water and sanitation sector in Uganda is shared between different ministries and coordinated nationally by a Water and Sanitation Working Group. The Ministry of Water and Environment (MWE)<sup>67</sup> includes the Department of Water Development (DWD), the lead sector agency for water and sanitation in rural areas and small towns, and the Directorate of Water Resources Management.

On water and sanitation specific issues, the institutional set up is constituted by three levels: a national level with the two main directorates at the Ministry of Water and Environment; a regional level (also referred to as the “de-concentrated level”) with civil servants appointed from central level; and a decentralised level.

Water supply is managed and regulated through the Directorate of Water Development of the MWE, and implemented at District Local Government level through the District Water Office (DWO) of the Department of Works. The Directorate also plans and develops water schemes that traverse local government boundaries, strengthens Improved Sanitation Hygiene service delivery in the District Local Governments (DLGs) through capacity building programmes. Private contractors are hired by both the Directorate of Water Development (DWD) and DLGs to site and construct new water supplies, as consultants and supervisors. Piped water supplies of rural growth centres and small towns are in most cases managed by private water operators, whereas large towns are managed by the parastatal National Water and Sewerage Corporation. Rural water point sources are managed and maintained by their Water User Committees through the so-called Community-Based Maintenance System, whereby only major rehabilitations are done and paid for by District Local Governments, through the District Water Office.

The specific responsibility for sanitation and hygiene is shared by three line ministries. Domestic sanitation falls under the Ministry of Health<sup>68</sup>, and at local level under the District Health Inspector’s office in terms of sensitisation and mobilisation and construction of latrines in health centres; communal sanitation is implemented by DWD, and at decentralised level by DWO. The Ministry of Education and Sports is responsible for hygiene education and provision of sanitation facilities in schools. A sanitation MoU between the three ministries was signed in 2001.

NGOs and CBOs grouped under a national umbrella organisation (Uganda Water and Sanitation NGO Network - UWASNET) are playing a complementary role in service delivery and advocacy work in the sector.<sup>69</sup>

Local Governments receive funding from Central Government in the form of conditional grants, mainly via the District Water and Sanitation Development Conditional Grant (DWSDCG).

*Main source: various WESPRs.*

### Step 2 - Main sector outcomes<sup>70</sup>

Access to safe water has gradually improved over the past decades<sup>71</sup>. The positive trends continued during most the evaluation period but stagnation can be observed in recent years. The percentage of rural population served with safe water raised from 57% in 2003/04 to 65 % in 2008/09.<sup>72</sup> It should be noted that the water is from point sources; only a small minority of households has access to network water. Constraints hampering access to safe water include amongst others cost of the water, distances to safe water, and perceptions that open water sources may be good enough. Factors contributing to a lack of availability in communities include lack of functionality (facilities are not working properly), lack of local responsibility and water scarcity (Water and sanitation in Uganda: households, communities, schools, and health facilities - Uganda service delivery and poverty studies, volume 3, Tsimpo and Wodon, 2014, p. 6). Access to network (so piped) water in Uganda is restricted to some of the towns and rural growth centres in the country, and uneven across geographic areas and quintiles of wealth, with the better off being much more likely to be connected to the water network than the poor. In

<sup>67</sup> Before 2006, it was the Ministry of Water, Lands and Environment.

<sup>68</sup> Within the Ministry of Health (MoH), the Environmental Health Division is responsible for hygiene and sanitation promotion for households and has been leading the development of the integrated sanitation strategy for Uganda.

<sup>69</sup> NGOs and CBOs have continuously contributed to the water and sanitation subsector, e.g. by mobilising funds for the sector, supporting water and sanitation infrastructure development, and building capacity of communities to demand, develop and maintain water, sanitation and hygiene facilities. The national umbrella organisation of NGOs and CBOs in the water and sanitation sector (UWASNET) has registered an increasing number of NGO and CBO members (membership was standing at 235 in 2014).

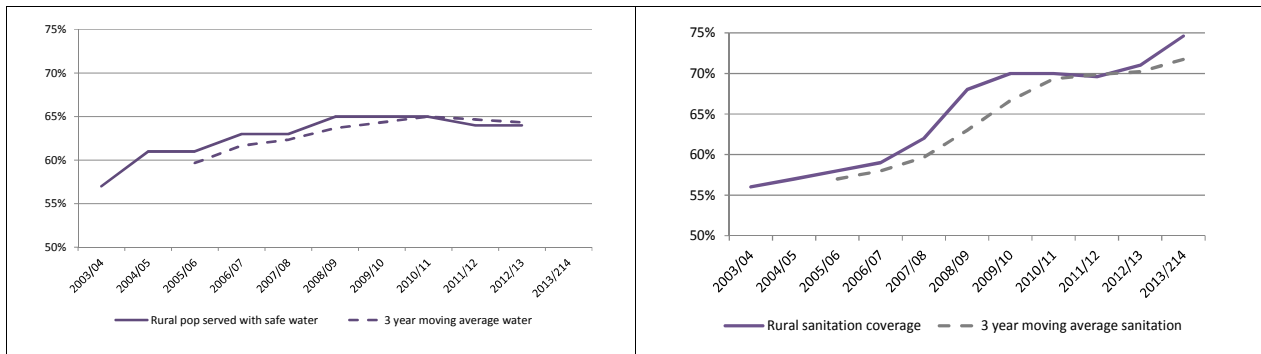
<sup>70</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

<sup>71</sup> The percentage of people in rural areas who reported using safe water sources increased from about 20% in 1991 to 60% in 2002.

<sup>72</sup> Based on standardised access rates (see details in Volume 2), the total number of new people provided with safe water over the period amounts to 6,289,496.

addition, households who are connected to the network pay a lower price per cubic meter of water or jerry can than households relying on public taps in the towns (Tsimpo and Wodon, 2014, p 34).

**Figure 21** Rural population served with safe water and with effective sanitation



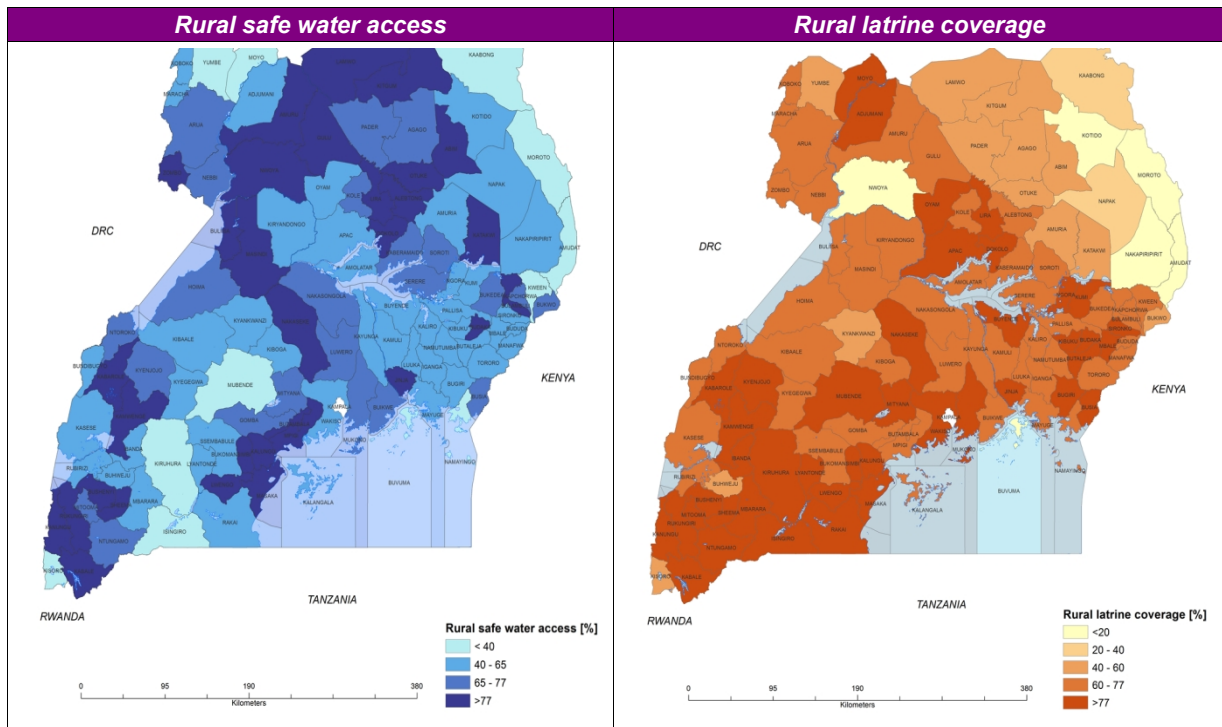
Source: MWE, 2013 WESPR.

Similarly, there is an overall positive trend in rural sanitation coverage, defined as the percentage of rural households with access to improved sanitation. After a slight decrease in the period 2009/10-2011/12, rural household sanitation coverage started to improve again in recent years. It should be noted that the indicator is used to measure households' access to an improved latrine. Applying the holistic concept of improved sanitation, only a small minority of households has access to improved sanitation, and the availability of toilets, waste disposal mechanisms, bathroom facilities as well as hand washing practices have not changed fundamentally over the last decade. Hand washing remains an exception, largely due to lack of knowledge. Constraints to adequate sanitation generally include ignorance, negative attitudes and lack of income (Tsimpo and Wodon, 2014, p. 6). Although the sector has done a lot to create demand for improved sanitation in the country, there is still a problem to ensure sustained behaviour change. In addition, many rural households cannot afford the market prices of an improved latrine and build toilets that are not durable (WESPR, 2014, p.112).

As shown in the diagrams below, some geographical disparities persist in terms of access to water and sanitation in the country. Districts that are in the lowest categories in terms of access to water are the districts in Karamoja in the North-East corner of the country, West-Nile in the North-West corner of the country, and the "cattle corridor", which is an area running South-West to North-East over the central part of the country. However, as highlighted in the sector performance reports and confirmed in interviews, improvements in terms of disparities between regions have been achieved along with increased access to water and sanitation over the past decade.<sup>73</sup>

<sup>73</sup> For instance, there has been considerable progress in terms of sanitation in the Karamoja region, with an average increase of 11% in the last years compared to 6% increase in the rest of the country (WESPR 2014).

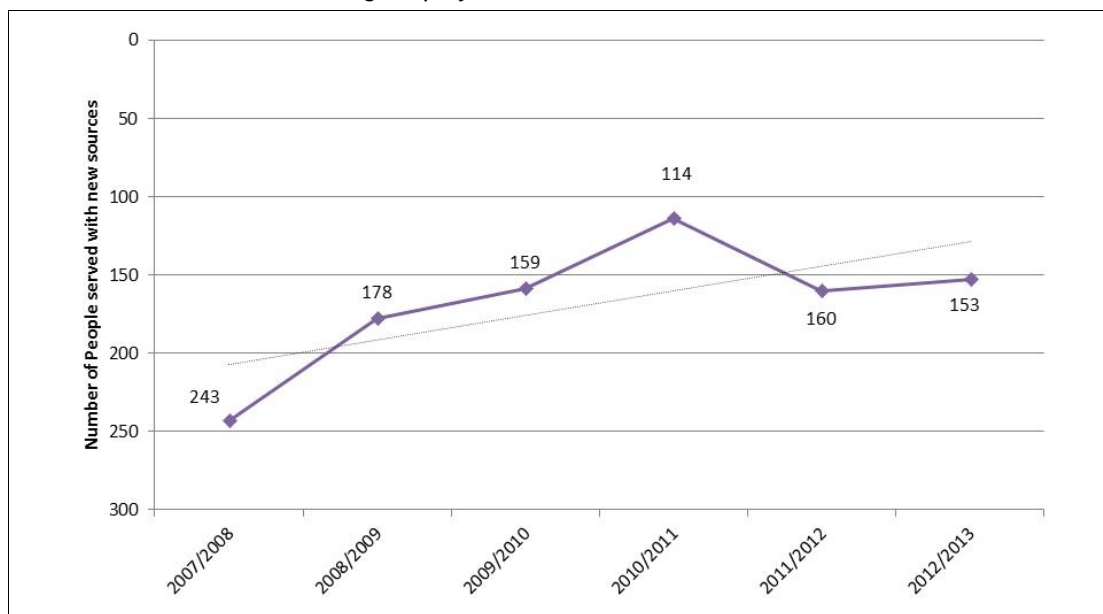
Figure 22 Situation in terms of geographical disparities



Source: MWE, 2013 WESPR.

In terms of disparities within districts, it appears that, despite difficulties in obtaining precise data on this indicator, equity in access<sup>74</sup> has also improved between 2007-08 and 2012/13 (see Figure 23).

Figure 23 Evolution of average equity values



Source: MWE, 2013 WESPR.

Finally, there is limited evidence about the overall evolutions in terms of gender equality and gender sensitive outcomes in the sector. It can be assumed that, with stagnating safe water coverage, there is no reduction in the burden on women and girls for fetching of water. Moreover, no increased proportion of Water User committees/Water Boards with women holding key positions was observed. This

<sup>74</sup> Equity in rural water supply is defined as “the mean sub-county deviation from the district average in persons per water point”. A lower numeric value indicates a more even distribution between sub-counties within a district. The indicator values were distorted by the creation of new districts from larger districts, resulting in establishment of new administrative units, many of which have few improved water facilities. Also, equity values for some districts with newly created administrative units changed significantly from FY2011/12 because the available data for some water facilities do not indicate the respective parishes.

indicator has fluctuated around 80-85% without indicating a clear positive trend over the period. Some positive evolutions can be observed in school sanitation for girls. In primary schools, the number of separate girls' toilets with door and/or shutter per 1,000 girls has increased by 27% between 2006 and 2012 (source: EMIS 2014).

### Step 2 - Analysis of determining factors

The analysis of determining factors in the Water and Sanitation sector has relied on a wide range of methods and sources of information. An econometric analysis was carried out to identify how some of the resources provided by the GoU and its partners have affected sector outcomes during the period (see Volume 3 – Annex 6). In addition, information collected through a diversity of documentary sources (e.g. public expenditure reviews, recent studies/evaluations, sector performance reports, surveys on service delivery, etc.) were cross-checked and enriched through interviews with national and local stakeholders, and direct observations by the evaluation team.

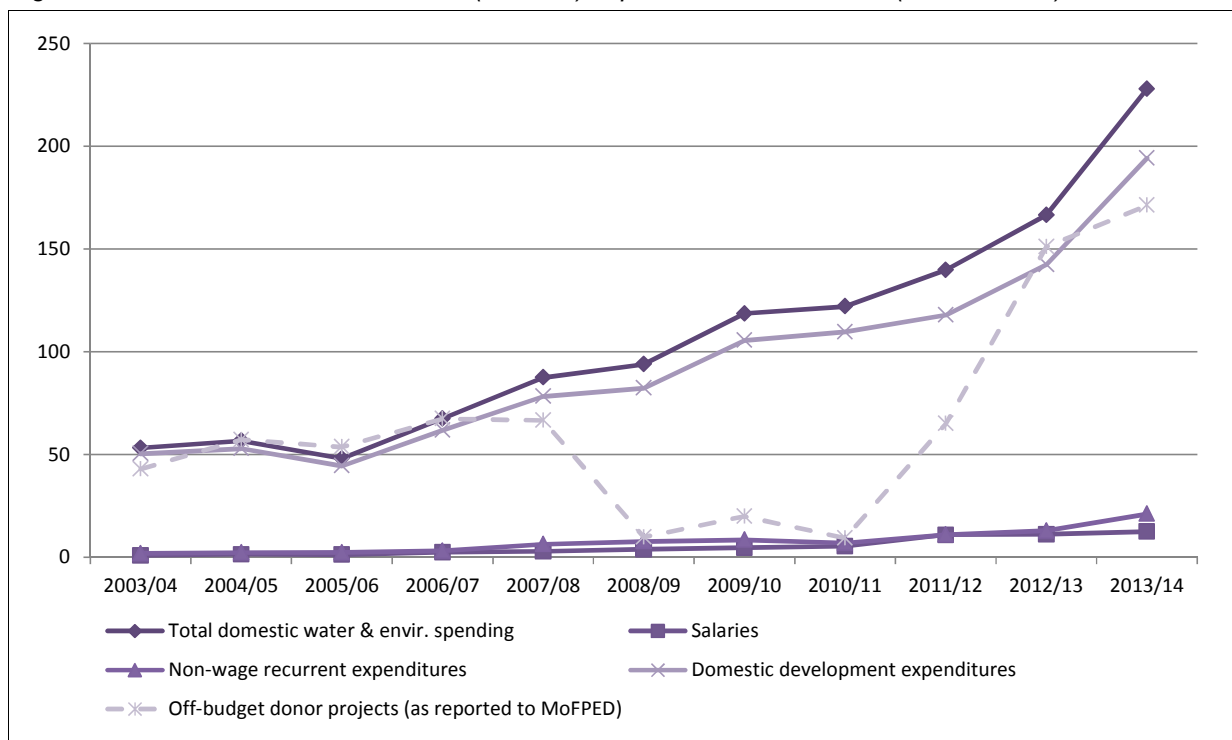
The determining factors identified were classified in three broad categories: i) Factors related to financial resources; ii) Institutional and policy factors; iii) Non sector factors.

#### Factors related to financial resources

Since the introduction of the PEAP in 1997, the water and sanitation sector has been accorded priority status by GoU, and consequently the budgetary resources to the sector were increased threefold. In 2005, WSP noted that "GoU's rural water supply programme represents one of the largest rural water and sanitation programmes in Africa with parallel and decentralised implementation in (all) 55 districts".<sup>75</sup>

As illustrated in Figure 24, total nominal sector spending has increased over the period, especially in recent years.

Figure 24 Water & Environment (nominal) expenditures, 2003-2013 (in billion Ush)



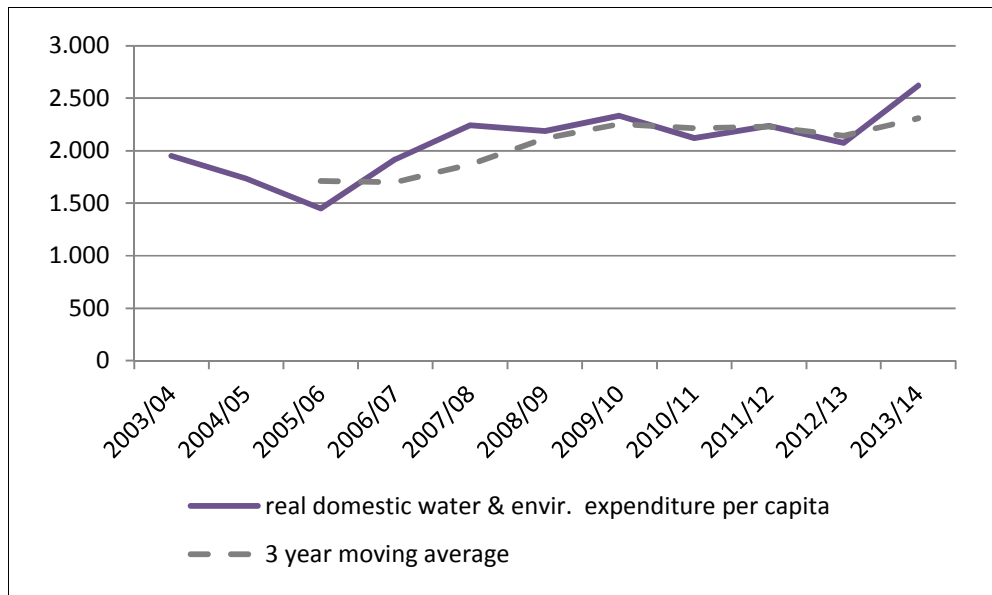
Source: 2014 MoFPED.

The figure below shows that, overall, real per capita spending has also slightly increased over the period, unlike other sectors such as education and health.

<sup>75</sup> Water and Sanitation Programme, 2005: *Impact of the Budget Support Instrument on Rural Water Supply in Uganda*



Figure 25 Water & Environment real per capita expenditure (in Ush)



Source: Own calculations based on 2014 MoFPED for nominal expenditure data and 2014. World Bank national accounts data for GDP deflator.

In terms of sanitation, the positive effects of the funding from the newly established budget line on sanitation<sup>76</sup> and the more important funding provided through the Uganda Sanitation fund programme (USF)<sup>77</sup> programme has been highlighted by several stakeholders interviewed. This increase in funding combined with an improved support supervision and use of the implementation guidelines as well as an increased follow up by the extension workers, clearly explained the recent positive trends in sanitation coverage and avoided the stagnation that started around 2009.

An econometric analysis of the water and sanitation indicators over the period (see Volume 3 - Annex 6) confirms the overall positive effects of increased sector resources on the main key sector outcome indicators. The econometric analysis reveals in particular that central government transfers to districts other than the DWSDCG did improve all selected outcome indicators except rural functionality, which suggests that districts discretionally invested at least some of these funds directly or indirectly in Water and Sanitation. The presumption that this investment was small relative to the total budget would explain why an additional 1 billion USh of general transfers per year increased rural access and sanitation coverage by only about 0.5 percentage points each<sup>78</sup>. On the other hand, districts that were phased into UNICEF support for Water and Sanitation at some point between 2010 and 2013 increased their functionality rates by about 4 pct. points on average.

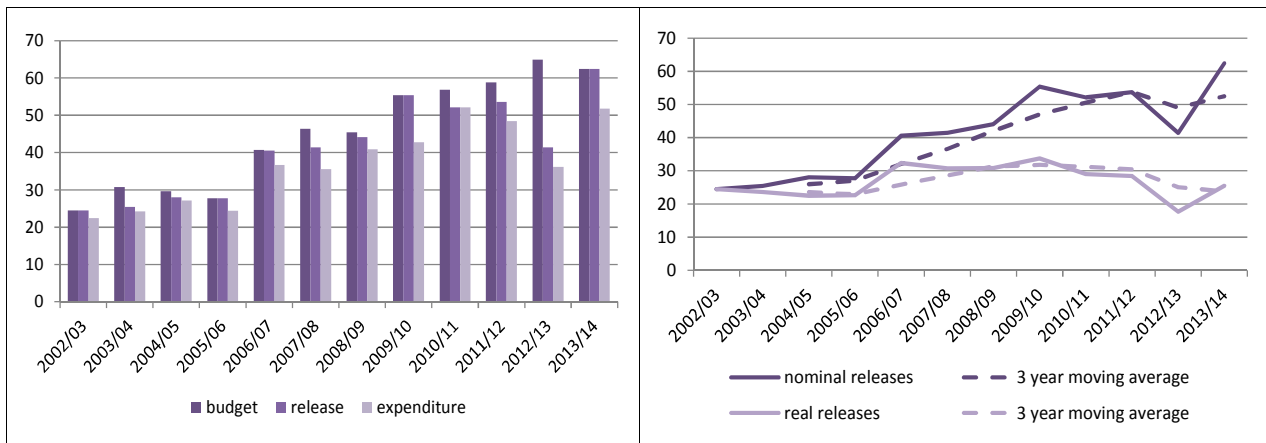
The stagnation in certain key outcome indicators observed in recent years can be partially explained by the stagnation in DWSDCG expenditures. The reducing of funding via the DWSDCG is particularly visible when real values are considered (see Figure 26 below).

<sup>76</sup> A separate budget line was recommended in 2009. It was eventually established under the DWSDCG, but not funded until the FY 2011/12. During the FY 2011/12, the MWE, through this Sanitation District Grant, allocated UGX 2 billion to the districts, with each district receiving between UGX 19 million to UGX 21 million. This funding has been allocated since then on a yearly basis.

<sup>77</sup> The Global Sanitation Fund in Uganda (also called the Uganda Sanitation Fund - USF), started in August 2011, included both disbursements to districts and the support to capacity building. The Executing Agency, the Environmental Health Division (EHD) of the Ministry of Health (MoH) carries out technical support supervision, and builds capacity of district staff in planning and reporting.

<sup>78</sup> However, the econometric analysis shows no effect of the District Water and Sanitation Development Conditional Grant on the selected outcome indicators. This likely reflects the econometric identification problem (reverse causality) caused by the grant allocation formula, rather than indicating that the grant is actually ineffective. Low-performing districts (in terms of the selected outcomes) tend to receive larger funding from the DWSDCG, creating the wrong impression that increasing the funds has a negative effect.

Figure 26 DWSDCG budgets, releases and expenditures (in billion Ush)



Source: Own calculations based on WESPR 2006 for 02/03 - 05/06 and, after that, WESPR for that year (and 2014 World Bank national accounts data for GDP deflator).

The phenomenon of limited availability of new financial resources is exacerbated by the population growth but also by the increase in costs of service delivery which results from the combination of two factors:

- The cheap water supply technologies (e.g. protection of springs and construction of shallow boreholes and wells) can only be implemented in areas where the groundwater situation is favourable. These locations are now well covered. Areas that still need to be served correspond to areas requiring more expensive technologies (deep boreholes, domestic rainwater harvesting).
- Unit cost of service delivery increase as contracts per district reduce in size following the increase in the number of districts. In addition, the fragmentation of district has led to an increase in setting up costs for new district offices and logistic support, and an increase in recurrent costs for new district water officers. Therefore, increasingly more funding at district level is required to increase the safe water supply coverage in rural areas.

#### *Institutional and policy factors*

As highlighted above, the water and sanitation sector was accorded priority status by GoU in the last decades. This has translated in a number of initiatives to enhance strategies implemented by GoU in the sector. In particular, interviews highlight that a positive contribution has been made to safe water access through: i) improvements in deconcentrated construction of multi-year water supply projects, ii) decentralised capacity building, and iii) sustained focus on O&M. The efforts at the three levels were all made as a result of continuous monitoring and interaction between MWE, international technical advisers and annual joint sector reviews. Other initiatives resulting from increased monitoring and sector dialogue include the stricter application of DWSDCG guidelines at all levels of the sector and the regular implementation of VfM audits<sup>79</sup>.

Another positive impact on the increase of rural water supply coverage was the establishment of a "Water and Sanitation Development Facility" (WSDF) as a means by which to channel funding and technical support into the sector's service providers (i.e. local governments in the small towns and rural growth centres) in a way that reduces transaction costs. GoU with the support of DPs launched the "Water and Sanitation Development Facility-South West" (WSDF-SW) in July 2006 under the Directorate of Water Development (as an arm of the Ministry of Water and Environment). It was established as a pilot structure responsible for supporting Small Towns (STs) and Rural Growth Centres (RGCs) get access to piped safe water and improved sanitation. The experience gained in the WSDF-SW was replicated in the setup of a similar WSDF in the Northern part of Uganda and subsequently in East and Central Uganda as well. These "Water and Sanitation Development Facilities" were established with delegated financial powers for efficient implementation at local /regional levels.<sup>80</sup> From the outset, the goal was that the WSDF would ultimately transition into an autonomous fund with an expanding remit across the sector and its stakeholders.

<sup>79</sup> The use VfM audits was enhanced by subsequent follow up through the Good Governance Action Plan (GGAP).

<sup>80</sup> Source: <http://www.mwe.go.ug/> (ministry's website accessed on 05/12/14).

A new formula for allocation of grants was implemented in 2008/09 considering sub-county coverage as opposed to the old approach of using district coverage alone. This has contributed to even out the coverage disparity within districts by focusing on the under-served sub-counties.<sup>81</sup>

A number of other relevant W&S GoU policy initiatives were launched in the last decades. They are all listed under EQ 6 (Volume 2).

During the evaluation period, sector performance was affected by certain weaknesses in the financing mechanisms established by GoU. Two field visits to neighbouring districts highlighted that the allocation formula used in recent years (the formula was established in 2007) had apparently not been fully implemented according to district needs. Although Mbarara received twice as much funding as Masaka District in FY2013/14, this was not sufficient to increase coverage in Mbarara, while it did increase coverage in Masaka. Mbarara which has a safe water coverage of 65% (just above the country-wide average value of 64%) and is partly water-stressed according to the District Water Officer only received sufficient funds to implement 2-3 boreholes every 3-4 years, whereas Masaka district, with a safe water coverage of 83%, receives funding for new shallow water sources on a yearly basis. That said, the recent evolutions in the strategies and funding mechanisms<sup>82</sup> underline GoU's constant concern to improve its action in the sector.

Finally, it is important to highlight the fact that the creation of new districts from larger districts (in particular in 2011) has created some distortion in the measurement of certain indicators. The changes in administrative divisions have resulted in the establishment of many new administrative units which had few improved water facilities. Equity values for some districts with newly created administrative units changed significantly from FY2011/12 because the available data for some water facilities do not indicate the respective parishes.<sup>83</sup>

#### *Factors not directly related to policy and institutional factors*

A substantial number of people have been served by new water supplies funded by off-budget resources as implemented by NGOs. This has ensured that the safe water coverage so far is not reducing. The WESPR 2011 shows that in FY2009/10, an estimate 472,894 people were newly served in rural areas by NGOs, as compared to 670,910 people by the DWSDCG.

*Table 7 New safe water sources constructed and population served in rural areas by NGOs in FY2009/10 and FY2010/11*

Source	FY 2009/10		FY 2010/11	
	No.	Est. population served	No.	Est. population served
Borehole construction	374	112,200	191	57,300
Shallow wells	573	171,900	553	165,900
Spring protection	155	31,000	397	79,400
Tapstands/Kiosks	951	142,650	605	90,750
House connections	479	2,874	52	312
Rainwater harvesting jars	1,216	3,648	3,191	9,573
Rainwater harvesting tanks	1,437	8,622	1,275	7,650
<b>Total</b>		<b>472,894</b>		<b>410,885</b>

Source: WESPR 2011, p. 187.

The water and sanitation sector is also largely affected by several non-sector specific factors. The main one is linked to Uganda's population growth. Increase in rural population (more than one million every year) requires additional efforts to improve service delivery in water and sanitation. As highlighted above, funding for new water sources provided through the DWSDCG and by NGOs is since FY2006/07 just enough to supply the rural population growth.

Access to sanitation facilities is also closely related to poverty levels. Poorer households lack the resources to invest in improved sanitation and, so far, no public funds go directly towards the development of household sanitation facilities. In 2009, a study was done to provide more detailed spatial data on the spread of poverty and water and sanitation services over the country. A comparison

<sup>81</sup> Water and Environment Sector Budget Framework Paper, FY 2008/09 (p. 32).

<sup>82</sup> During FY 2013/14, the allocation formula for the district water and sanitation development conditional grant was reviewed as recommended in the previous year's joint sector review. This review aimed at ensuring a more equitable coverage at sub-county level of the water and sanitation development grant to the local governments, thereby enabling underserved sub-counties to catch up with the national service average. The formula now takes into consideration population, investment costs of the appropriate technology and the water supply coverage at sub-county level within a district (WESPR 2014, p. 9).

<sup>83</sup> Source: WESPR 2012, p. 67.

of poverty rates and improved sanitation coverage in 2002 confirms that the two variables are negatively correlated; that is, in broad terms, sub-counties with high poverty rates also have low levels of improved sanitation. The North East part of the country (the Karamoja region) is also the poorest part of the country has the poorest sanitation coverage.

Regional differences in rural safe water coverage are largely the result of water resources availability differences, population density and variances in cost of service delivery. In Karamoja as well as the “cattle corridor”, natural water resources are particularly low and the only alternative is the expensive option of deep boreholes; but, like in West-Nile, the population pressure is also much lower in these regions.

In addition, in hard-to-reach districts it is difficult to reach and retain qualified staff, which has a negative effect on service delivery. Interviews and recent reports also show that political interference resulting in selection of sites in other places than required for increased equity (i.e. disparities within a district) also plays an important role.

Compared to other areas of the country, Northern Uganda presents some very specific issues related to the conflict which affected the region. Beyond the direct impact of the war on the local population, it is important to highlight that the region received substantial amounts of targeted emergency interventions.<sup>84</sup> Emergency support turned out not to be equally distributed in the region and presented low sustainability levels. A large part of the camp population has left since then. The situation has significantly distorted the measurement of indicators of access to basic services in the region. Moreover, continued unrest in the first years of the period under review made it difficult to build up capacity in those areas.

Finally, it is important to highlight the importance of education and cultural aspects on the sector indicators. In particular, the proportion of women in water user committees depends on the overall gender awareness of the rural people using the water sources, which in turn depends largely on overall education levels and a variety of cultural factors.

### Summary answer to the evaluation question

The decentralisation policy and related funding to all district local government has improved access and functionality of water services and improved equity of service. However, strong geographical disparities persist as a result of sub-optimal allocation of district funding, political interference, capacity gaps at district local government level and geographical attributes that, for instance, limit the use of affordable technologies, or cultural and educational aspects constraining gender mainstreaming. Moreover, funding for new water points is not sufficient to increase water coverage further in view of the high population growth, the costs of increasing numbers of district local governments, and the fact that options for affordable technologies have run out. The National Framework for Operation and Maintenance of Rural Water Supplies promoting community-based maintenance of water sources and availability of trained hand-pump mechanics has increased the functionality of water sources. But functionality rates are stagnating demonstrating that more needs to be done in order to further improve functionality.

Functionality of rural water points is impacted positively when Water User Committees have women in key positions, as women are directly benefiting from functional water sources. However, there has been no clear improvement in this area over the period.

In Uganda, sanitation improvements are the responsibility of households. Overall, funding levels for promotion of sanitation are extremely low. Latrine coverage has gradually increased but at a very low rate. At the same time, a noticeable jump can be seen in the trend after the commencement of a donor funded project, the Uganda Sanitation Fund, suggesting that funding has a much bigger impact than education and awareness raising. Strong geographical disparities persist as a result of cultural aspects towards sanitation, enforcement disparities and differences in local capacity and awareness, and to a lesser extent challenges with latrine technologies in loose soils or in case of shallow water levels.

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<sup>84</sup> Mainly via a UNICEF-funded initiative, the NUSAF and the PRDP, large programmes were undertaken in IDP camps.

**Table 8** *Synthesis of factors determining changes observed at the outcome and impact levels (Step 2) - Water & Sanitation*

<b>GoU Policies (induced output level in the IL) having contributed to</b>	<b>Development Results</b>	<b>Other historical and/or policy interacting factors, and/or internal or external factors</b>
<ul style="list-style-type: none"> <li>Decentralisation of governance and service delivery: moderate</li> <li>National Framework for Operation and Maintenance of Rural Water Supplies: moderate</li> <li>Provision of piped water supply to rural growth centres through WSDFs: strong</li> <li>Water and Sanitation Gender Strategy: weak to moderate</li> </ul>	<p>Improved access to services / functionality of water services although strong geographical disparities persist</p>	<ul style="list-style-type: none"> <li>Poverty level and Population growth: strong</li> <li>Donor/NGO projects: moderate</li> <li>Rural Ugandans resist the idea of payment for water services: moderate</li> <li>Political interferences at local level: strong</li> <li>Geographical specificities (natural resource availability, population density, conflict affected areas, water quality): strong</li> <li>Sub-standard materials sometimes used for installation of rural water point sources</li> </ul>
<ul style="list-style-type: none"> <li>Water and Sanitation Gender Strategy: weak</li> </ul>	<p>Number of Water User Committees with women in key positions remain limited</p>	<ul style="list-style-type: none"> <li>Cultural factors (e.g. a male-dominated society): strong (constraining factor)</li> <li>Education level: moderate (constraining factor)</li> <li>Staff contracted by Ministry of Public Service: moderate</li> <li>MoFPED and MoGLSD also support and implement gender mainstreaming activities in the sector: moderate</li> </ul>
<ul style="list-style-type: none"> <li>Decentralisation of governance and service delivery: moderate</li> <li>Water Supply and Sanitation Sector Investment Plans (SIP): weak</li> <li>Budget line for sanitation by three line ministries: weak</li> <li>Provision of piped water supply and sanitation to rural growth centres and small towns through WSDFs: weak to moderate</li> </ul>	<p>Improved access to sanitation services although strong geographical disparities persist</p>	<ul style="list-style-type: none"> <li>Poverty level: strong (constraining factor)</li> <li>Population growth: strong (constraining factor)</li> <li>Donor projects: strong (although sustainability is low)</li> <li>District division: moderate (constraining factor)</li> </ul>



### 4.2.3 Evaluation question 10

#### EQ 10 - Health

*To what extent, in the health sector, the development outcomes targeted by the policies and programmes supported by BS have been or are being achieved? And which have been the determining factors of their achievement?*

#### Background and context

Uganda's health system is broadly divided into national and local levels. At the local level, the district health system consists of village health teams, health centres at three sub-levels (parish/sub-county/county, respectively level II, III and IV) and district general hospitals. District health services are managed by the Ministry of Local Government. At the overall level, main institutions include: the Ministry of Health (MoH), semi-autonomous institutions (e.g. the Uganda Blood Transfusion Services, the National Medical Stores, the Uganda Public Health Laboratories and the Uganda National Health Research Organization), the National Referral Hospitals and Regional Referral Hospitals. The functions of the Ministry of Health (MoH) include: resource mobilisation and budgeting, policy formulation and policy dialogue, strategic planning, regulation, advising other ministries on health and related matters; capacity development and technical support; and monitoring and evaluation of the sector performance.

Two main sector plans cover most of the evaluation period: the Health Sector Strategic and Investment Plans (HSSIP) I (2005/06-2009/10) and the HSSIP II (2010/11-2014/15). These sector plans set out the overall direction of the GoU's strategy for the health sector. They include a defined set of priorities and targets and the achievements are being reported annually in Annual Health Sector Performance Reports (AHSPR).

*Main source: MoH, 2011.*

#### Step 2 - Main sector outcomes<sup>85</sup>

After the establishment of peace and stability in the country in the mid-1980s, the health sector, along with most other parts of the economy, saw rapid improvements in outcomes. In particular, along with just a handful of other countries, Uganda was able to turn the tide of the HIV/AIDS epidemic with a peak in HIV infection rate in the mid- to late-1990s at around 9% of the population. In the last decade, health coverage has also gradually improved.

However, while Uganda is on track to meet some of the MDG targets for health (e.g. MDG 4 on child mortality), the health sector faces several performance challenges, including financial, management, and overall policy leadership. By the mid-2000s, signs of a flattening out of the positive trends in sector outcomes became evident and the most recent years have seen a reversal or stagnation of health outcomes, including mortality rates for mothers and children, and HIV/AIDS prevalence rates. The country will not meet MDG 6 / Target 6.A on reversing the spread of HIV/AIDS.<sup>86</sup>

With respect to gender sensitive health sector outcomes, Uganda is not on track to achieve MDG 5 to improve maternal health, including reducing maternal mortality (MDG, Target 5.A), which is graded as 'Stagnant' in the most recent update.<sup>87</sup> In addition, progress on Target 5.B, on universal access to reproductive health services, has been graded 'slow' in the same report. The proportion of deliveries in health facilities (health centres and hospitals) has increased over the evaluation period but the increase has also been slow for this indicator and recent levels were stagnating below GoU policy targets. Contraceptive prevalence rate has shown a decline in recent years. The fourth Joint Assessment Framework (based on 2012 data) indicates that none of the health sector results targets agreed upon in the context of the JBSF were met.

There is also relatively strong evidence of equity challenges in health care utilization in the past decade.<sup>88</sup> The poor have generally lower access to most services and the overall system is generally pro-rich as allocations to central facilities that are mostly accessed by the better-offs dominate over lower-level allocations that are mostly accessed by the poor, near-poor, and households in remote areas. The charts below illustrate inequalities in deliveries in health facilities. About 90 percent of the women in urban areas, but only 54 percent in rural areas deliver in health facilities, the spread being even larger across household wealth quintiles.

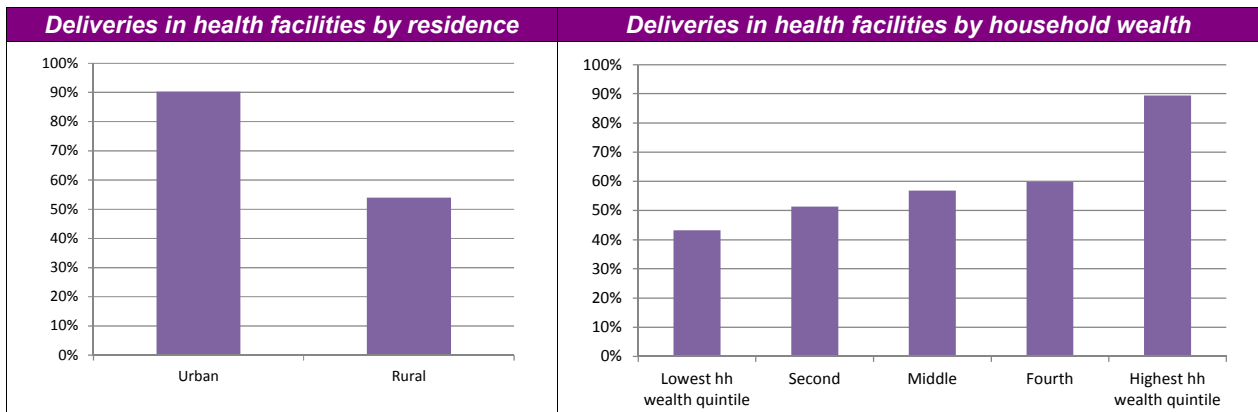
<sup>85</sup> Detailed evidence which underpins the findings presented in the section that follow can be found in volume 2.

<sup>86</sup> After significant improvements in the 1990s and early 2000s, DHS data indicates that the situation is worsening, HIV/AIDS prevalence having increased from 6.4 to 7.3 percent of the general population in the 2005-2011 period (2004-05 UAIS and 2011 UDHS).

<sup>87</sup> GoU 2013. Millennium Development Goals Report for Uganda 2013.

<sup>88</sup> See, for instance: World Bank, 2009. A public expenditure review 2008: With a focus on affordability of pay reform and health sector

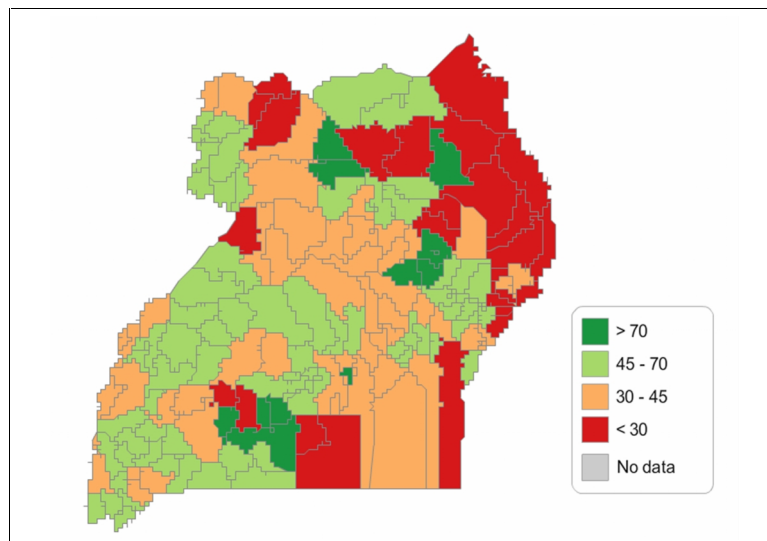
Figure 27 Deliveries in health facilities by residence and household wealth index (2011)



Source: UDHS 2011.

The map below also reveals large regional differences for the same indicator<sup>89</sup> and indicates that the situation is especially difficult in the north and northeast of the country.

Figure 28 Percentage of deliveries in Government and PNFP facilities (2013)



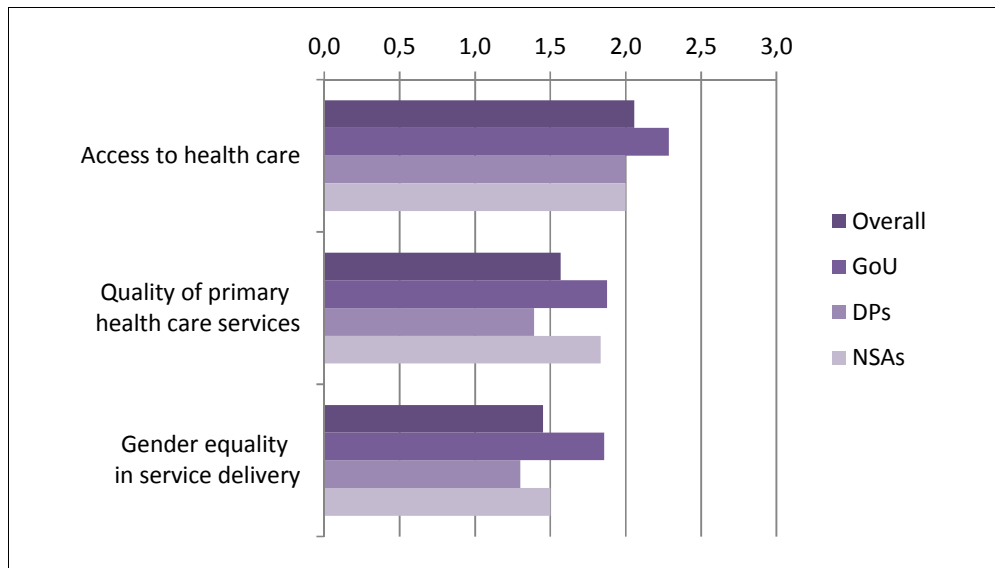
Source: MoH Sector Performance Report FY 2013-14.

The mixed picture described above is confirmed by the opinions expressed by the stakeholders in the eSurvey. As illustrated in Figure 29, the eSurvey respondents rated the evolution of access to health services fairly positive (score 2.1)<sup>90</sup> while being more critical with regards to the quality of primary health care services (score 1.6). The perception of development partners is particularly negative regarding the quality of service delivery (score 1.4) and gender equality in service delivery (score 1.3).

<sup>89</sup> Since the indicator is not exactly defined the same way in both sources (the 2011 UDHS and the 2014 Health Sector Performance Report), the data depicted in the chart and in the map are not entirely consistent.

<sup>90</sup> eSurvey question 18 "To what extent has there been progress linked to the reforms implemented in the past ten years in the following fields?"; answers are calculated on a 0-3 scale (0-not at all, 1-little extent, 2-some extent, 3-great extent).

Figure 29 e-Survey - Progress linked to the reforms implemented in the past decade



Source: 2014 - Stakeholder survey - Particip GmbH.

Scale: 0-not at all, 1-little extent, 2-some extent, 3-great extent.

### Step 2 - Analysis of determining factors

The analysis of determining factors in the health sector has relied on a wide range of sources of information to understand the mechanisms explaining the main sector evolutions observed above. While an econometric analysis could not be performed in the health sector because of a lack of reliable time series, information collected through a variety of documentary sources (e.g. public expenditure reviews, recent studies/evaluations, sector performance reports, surveys on service delivery, etc.) was cross-checked and enriched through interviews, direct observations and primary data collected through a field survey covering eight districts in four regions of the country.

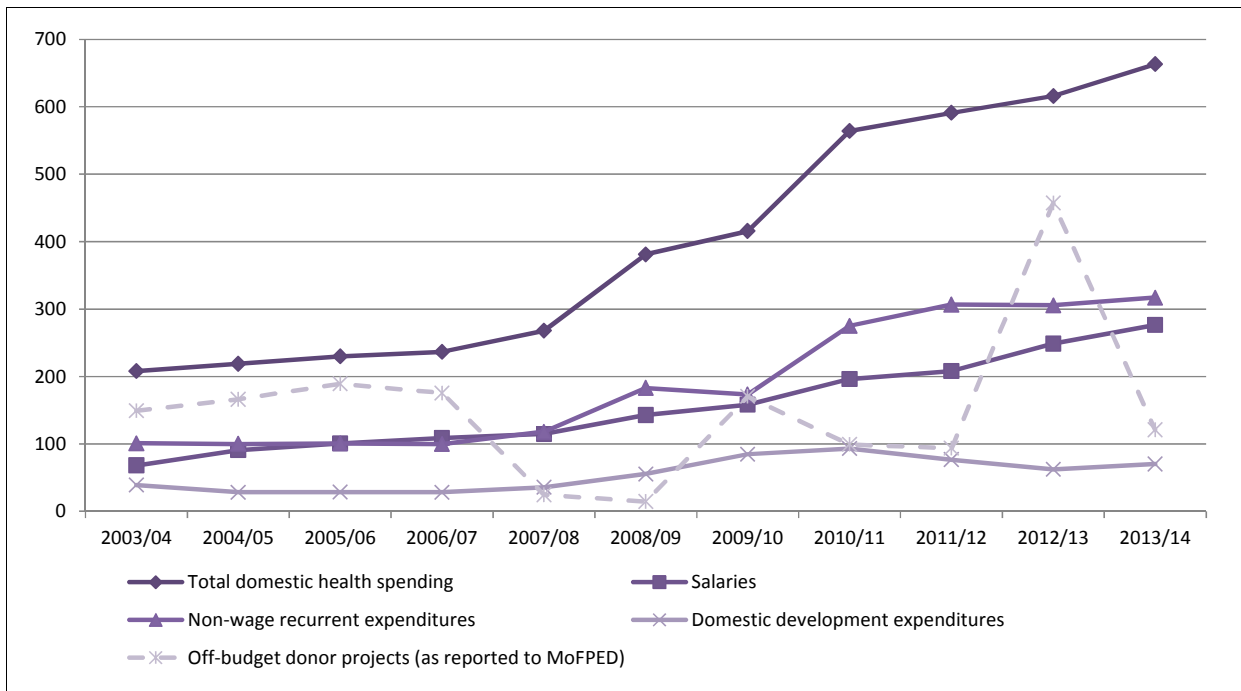
The determining factors identified were classified in three broad categories: i) Factors related to financial resources; ii) Institutional and policy factors; iii) Non sector factors.

#### Factors related to financial resources

The field survey carried out in this evaluation highlights the dearth of physical resources, which compounds service delivery. Well over half of informants think that the health clinics lack a particular infrastructure asset that negatively affects their ability to provide adequate care. One particular piece of infrastructure of critical importance is access to clean water. Of the sampled health units, 40 percent depend on rain-water as their main source of water. Moreover, almost one-third of units indicated that their main source of water was not near the clinic, but rather some 1.4 km away, on average. More generally, based on the health unit survey and other sources of information, it is evident that too many Ugandan health units lack the necessary physical and human resources to provide adequate care of sufficient quality.

Increased budget resources have enabled the GoU to increase health services and expand coverage of most types of health care over the past decade. In particular, increased investments (in nominal terms) could be observed in infrastructure, the payments of salaries, and supplying pharmaceuticals.

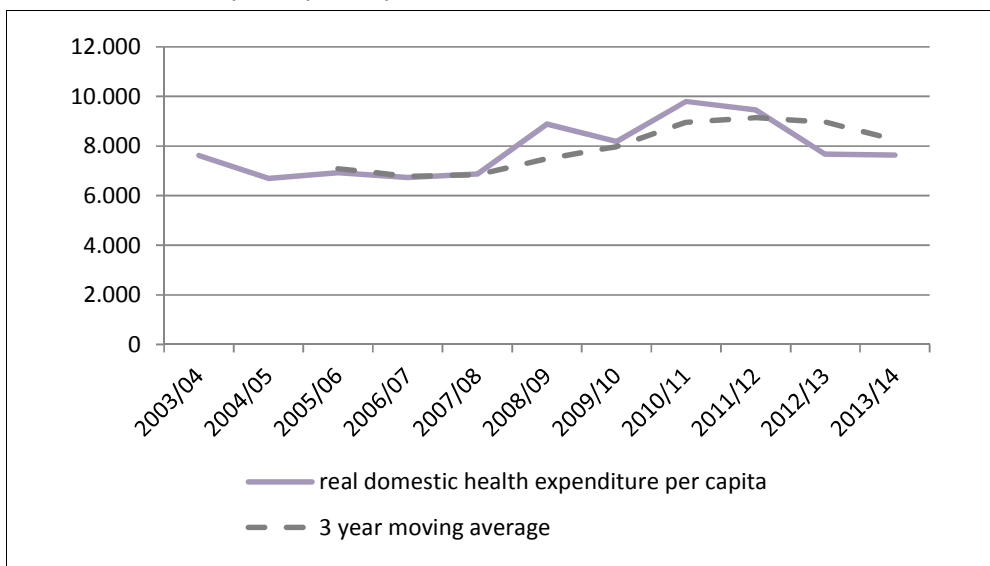
Figure 30 Health expenditures, 2003-2013, billion Ush (nominal)



Source: 2014 MoFPED.

While total nominal health spending has increased over the last years, real per capita health expenditure has not (see Figure 31 below). This can be largely explained by the high level of population growth and political decisions on priority allocations.

Figure 31 Health real per capita expenditure



Source: Own calculations based on 2014 MoFPED for nominal expenditure data and 2014 World Bank national accounts data for GDP deflator.

Moreover, like other sectors (e.g. education), the funding of the health sector has been spread thin across newly created districts in recent years which duplicated administrative structures without increased financing.<sup>91</sup> Data from the field survey corroborates the findings from other sources of limited

<sup>91</sup> The 2014 IEG evaluation of decentralization in Uganda analyzed the effects of the proliferation of districts. The case of Bushenyi – one of the best performing districts in Uganda - both before and after the splitting is instructive. Bushenyi was divided into five separate districts in 2010. Before this, the district was receiving government grants of UGX 42,621 per capita. It ranked 10th in the FY09 Health District League and 11th in the FY08 Education District League (out of 80 districts) and it had 91 percent of strategic posts filled. The splitting of the district into five new districts in 2010 led to a dramatic reduction of per capita grants even in nominal terms for 80 percent of the combined population of the five new districts, a reduction of staffing to 81 percent for what remained as Bushenyi

financial resources at the local level. More than half of all sampled local health authorities report having a reduced or unchanged financial envelope since the start of the evaluation period.<sup>92</sup>

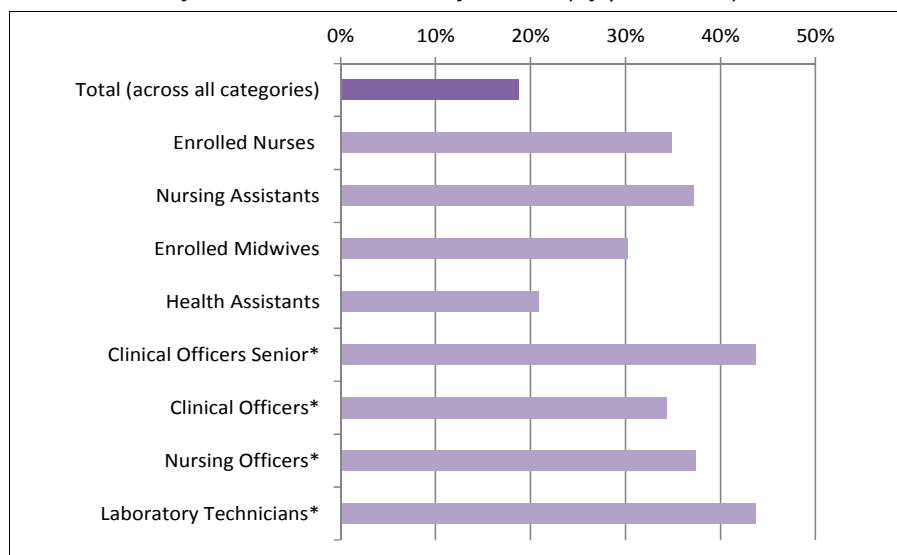
In general, the unequal levels of resource allocations and spending are reflected in unequal health outcomes; low spending districts perform considerably worse than higher spending districts. The shortage of financial and other resources is an important determining factor for weaknesses in sector performance, which, in turn, is made worse by limited management and planning capacities at the lower levels of government as further detailed below.

### *Institutional and policy factors*

In terms of human resources, interviews stressed that, while many managers in public institutions are highly competent, there is clearly a lack of capacity in health sector management and policy analysis (incl. impact evaluation of programmes). In particular, there is information from other central government ministries and agencies that, despite an overall improvement, the health sector continues to be weak in certain areas of PFM.<sup>93</sup> A review of the health related developments and targets in the draft version of the National Development Plan 2015/16 – 2019/20 show some level of awareness of the negative trends in key health outcomes but only little analysis of the reasons for these developments beyond the lack of resources (GoU, 2014). The Plan sets out revised targets for maternal and child health and for other key diseases (including HIV/AIDS). Critically, the Plan does not (yet) describe *how* the targets are to be achieved, illustrating the limitations in terms of strategic planning in the sector.

The data from the field survey largely corroborate the observations made in interviews related to the lack of human resources at the local level. Of the sampled health units (Level II and III) in the survey, less than one-third report ever having been fully staffed (see Figure 32). That only around one-third of units are fully staffed with nurses or midwives is a major source of concern and one that seriously impacts on the ability of units to provide skilled services. It is also a clear sign of the financial and human resource challenges the Ugandan health sector is facing.

Figure 32 *Field survey - % of health units fully staffed (by profession)*



Note: \*only applies to level III health units.

Source: 2014 - Health unit field survey - Particip GmbH.

In general, the Ugandan health sector is suffering from both a lack of resources and limited ability to plan, execute, and sustain interventions and activities making large increases in investments or allocations difficult. The field survey confirms the observations about the weaknesses in the ability of LG and local service providers to conduct financial and management planning.

and to 8 percent for the other four districts. While Bushenyi itself improved its FY11 Health District League position from 10th to 2nd, the remaining four new districts fell to 61<sup>st</sup>, 68<sup>th</sup>, 93<sup>rd</sup>, and 104<sup>th</sup> position out of 112 districts.

<sup>92</sup> In addition, these allocations are largely allocated to fixed purposes leaving local levels with little flexibility in resource use.

<sup>93</sup> These assessments are in line with those of health sector experts that maintain that the MoH and other health sector agencies have lost much technical and managerial capacity over the past decade or so. It is also consistent with the more general assessments that the large influx of financial resources in the health sector over the past years, not least to fund ART treatments, was made in an environment of very weak accountability and financial management capacity and ability to provide necessary oversight.



Only eight percent of respondents to the field survey say they have received any training in administration over the past year. Although it is difficult to interpret, it is noteworthy that the Health Management Committees (HMC) only meet on average four times per year; one would expect these units to meet on a more regular and frequent schedule. Likewise, there appears to be a relatively large number of issues that are 'informally discussed or reviewed' at the level of the HMC at LG-level. While this may be largely normal procedure, the fact that sometimes less than 70 percent of all key issues are 'formally discussed or decided' within the HMC may be a sign of weak management at this important level of the health system. It also appears to be the case that the sector, in many although not all, aspects is finding it increasingly more difficult to deliver quality services, not least due to shortages of human resources for health. One example of this issue is the fact that stock-outs of drugs may not always be due to actual shortage of funds or drugs, but rather due to administrative regulations where a Level II clinic should be receiving allocations similar to a Level III clinic due to patient demands.

Limited resources and flexibility on the use of funds have led to critical challenges for health service delivery at district level with subsequent inadequate achievements in critical areas, such as maternal and child health. While the lack of autonomy over the use of appropriations from the central level is partly a result of past leakages of public funds, it comes at a cost in terms of imbalances between investments and maintenance of facilities and equipment.

Uganda's health system is providing anti-retroviral treatments for some 680,000 people<sup>94</sup>. While this is an important achievement, it may be one that has come about at the expense of other treatments and types of medical services, including providing effective maternal and preventive services.

The health sector in Uganda has also been the stage for several large corruption scandals over the past few years, indicating the overall weaknesses in the governance and accountability systems of the country generally and the health sector specifically.

In terms of equitable utilisation of health services, there is evidence that public health care facilities at lower levels in Uganda are pro-poor, but that government hospitals are not.<sup>95</sup> This is largely due to the fact that lower level facilities are used mostly by the poor and that public hospitals are used predominantly by the rich. Furthermore, inequalities in health care use are also a result of the relatively large variation in local level allocations and subsequent spending on health.<sup>96</sup>

There are also clear shortcomings when it comes to 'gender budgeting' at the LG-level. In particular, the field survey highlights the low share of districts that apply gender specific analysis in financial planning. Around two-thirds of Level III health clinics do not use gender specific data for planning.

The current health system is far too fragmented into an excessive number of local/district units to be able to deliver effective and cost-effective services. Recent policy documents (e.g. NDP 2015 - 2020) highlight the need to continue the decentralisation process while not neglecting regional implementation mechanisms. Given the existing shortcomings, this will be challenging.

Importantly, there are signs that, in general, the country's health system may not be fit for purpose with several different types of service providers at various levels that fail to combine in an equitable, effective and efficient whole. This view has been confirmed in interviews by the vast majority of health sector stakeholders, development partners, local government and sector staff, and health sector experts alike.

### *Non-sector factors*

Over the past decade, the performance of the Ugandan health sector has been affected by several strong non-sector factors. This suggests the need to address health in Uganda as a cross-cutting issue involving several social, cultural and economic determinants.

In particular, real per capita income has not been as strong as needed for sustained non-income poverty improvements, including that related to health. Socioeconomic circumstances continue to affect financial access to quality medical services in most parts of the country.

Related to this factor is the continued high fertility rate of the country that has led to high population growth rates. Health facilities are frequently facing strong pressures from patients and waiting times are often long. Moreover, the high fertility rate affects women in particular and is a strong factor explaining the poor performance in maternal health over the period. This is, in turn, partly related to the low levels of female education with high drop-out rates due to, among other things, teenage pregnancies.

Finally, the generally poor conditions of roads and lack of transportation means, in particular in rural areas, have most likely had a strong negative impact on the access to many health services, in including gender sensitive services, such as reproductive and family planning services. With respect to

<sup>94</sup> MoH's AHSPR of 2013/14.

<sup>95</sup> World Bank, 2009. A public expenditure review: With a focus on affordability of pay reform and health sector

<sup>96</sup> World Bank, 2013. Public Expenditure Review: Service Delivery with More Districts in Uganda.

the latter, several health staff noted the insecurity of women in many parts of Uganda, limiting access and utilization of service, in particular after dark.

### Summary answer to the evaluation question

Over the evaluation period, there have been improvements in access to most medical services due to important public investments. The Minimum Health Care Package has been instrumental in improving access to basic health services. Expansion of provider networks has facilitated geographic access to care for most population groups.

However, the health sector displays several challenges with respect to equality and equity in health. The poor are more vulnerable to catastrophic health payments (and to become poorer due to health care spending). Improvements have been unevenly distributed with a clear urban-rural gap in access to inpatient and some advanced types of (hospital-based) services. Poorer households, in particular in rural areas, have lower access to some types of medical services compared with richer households. Moreover, rapid population growth has exacerbated challenges in achieving uniform access improvements (families are larger in lower socioeconomic groups).

Although health related gender outcomes, such as access to maternal health care, have improved during the period under evaluation, improvements have slowed down and levels of access generally remain subdued. Fertility rates are high and maternal mortality rates remain at a comparatively high level. The health situation of women is compromised by societal factors, such as gender inequality and the insecurity of women. In general, the GoU's commitment to gender issues and to the protection of women's and children's health rights appears to remain weak, frivolous, and incoherent.

The quality of care in Uganda has improved compared to the pre-2000 period. For example, more cases of diseases are detected, patients with chronic illnesses remain on treatment regimens, and more women deliver in clinics. However, various studies point at weakness in infrastructure, medical technologies, and among human resources for health. Quality issues remain and Ugandan health care staff compare unfavourably in some respects compared with staff in other SSA countries. The GoU's approach to quality assurance and improvements has been incoherent. Quality concerns have only been prioritized over the most recent years.

Finally, technical, analytical, and managerial capacities have been weak at all levels of the sector. This situation has seriously hampered the implementation of GoU's sector strategies and plans.

*Table 9 Synthesis of factors determining changes observed at the outcome and impact levels (Step 2) – Health*

<i>GoU Policies (induced output level in the IL) having contributed to</i>	<i>Development Results</i>	<i>Other historical and/or policy interacting factors, and/or internal or external factors</i>
<ul style="list-style-type: none"> <li>• Sector <u>policy</u> (NHP I and II) and associated plans (HSSIP I and II): moderate</li> </ul>	Some improvements in access to health care (esp. basic health care)	<ul style="list-style-type: none"> <li>• Poverty level (poor overall real per capita economic growth over past four to five years and persistent socioeconomic inequalities): very strong (constraining)</li> <li>• Weak capacity at all institutional levels: strong (constraining factor)</li> <li>• Increased district/decentralisation strains management capacities: moderate to strong (constraining factor)</li> <li>• Population growth: strong (constraining factor)</li> <li>• Internal factor: policy focus on quantitative output objectives</li> </ul>
<ul style="list-style-type: none"> <li>• Sector <u>policy</u> (NHP I and II) and associated plans (HSSIP I and II): weak</li> </ul>	Uneven implementation of service expansion, poor quality of care and overall underperformance on key sector targets and objectives (maternal and child mortality, HIV/AIDS, financial protection and equity in health financing and service access)	<ul style="list-style-type: none"> <li>• Poverty level: very strong (constraining factor)</li> <li>• Weak governance and accountability: very strong (constraining factor)</li> <li>• Weak capacity at all institutional levels: strong (constraining factor)</li> <li>• Increased district/decentralisation strains management capacities: moderate (constraining factor)</li> <li>• Macroeconomic inefficiencies and underfunded sector: strong (constraining factor)</li> <li>• Population growth: strong (constraining factor)</li> </ul>
<ul style="list-style-type: none"> <li>• Gender mainstreaming initiatives: weak</li> </ul>	Limited evolutions in gender sensitive outcomes (incl. maternal mortality; access to maternal health care, and fertility rates)	<ul style="list-style-type: none"> <li>• Income inequalities: very strong</li> <li>• Weak capacity at all institutional levels: strong</li> <li>• Cultural issues: very strong</li> </ul>

### 4.3 Step 3

What do the findings from Step 1 and Step 2 tell us about the contribution of budget support to the achievement of the targeted results over the evaluation period? In order to address this question, the team has compared the summary tables of Step 1 and Step 2; comparison which allows identifying the transitive relationships between BS and the development results through the assessment of the significance of each chain of influence (BS → Government policies; and Government policies → Outcomes & Impacts).

Results are presented separately for each focal sector through a tabular format followed by a short descriptive synthesis. The three tables, one for each focal sector, all follow the same structure:

- The column on the left hand side, identifies the ‘contribution of BS’ to changes in the given GoU sector policies, specifying the type and degree of influence exerted by the different sets of inputs (funds, policy dialogue, capacity building);
- The central column presents key sector policies / policy outputs.
- The column on the right hand side identifies the development results and specifies the degree of influence exerted by the given GoU sector policy / policy output on the achievement of the result.

The degree of influence of the BS inputs on the GoU policies and of the GoU policies on the development results is assessed on a scale of three ratings: weak, moderate or high as follows:

- weak: when the factor considered contributed negligibly to the observed change and this would have occurred in any case, albeit in slightly different forms,
- moderate: when the contributing factor considered has had a significant role - along with other factors - in supporting the observed change. And the latter – in the absence of the factor considered – would have occurred in a reduced and / or more expensive form); and
- strong: when the observed change would not have occurred in the absence of the contributing factor considered;

Sector-specific considerations are then followed by a visual representation of the overall contribution of budget support and other factors to the achievement of the targeted development results (see Figure 33).

### 4.3.1 Education Sector

Table 10 Synthesis of BS contributions to government policies (Step 1) and their contribution to development results (Step 2) - Education

<i>Intensity and type of budget support's contribution to</i>	<i>GoU policies (induced outputs in the IL) having contributed to</i>	<i>Development Results</i>
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: moderate (limited attention paid to quality issues in early years)</li> <li>• Capacity building: weak</li> </ul>	Sector policies (UPE, UPPET) and strategies/plans (ESSP) elaborated (but with limited attention paid to quality issues)	<ul style="list-style-type: none"> <li>• (strong) Improvement in access</li> <li>• (weak) Persisting issues in quality</li> <li>• (weak) Gender parity at primary level but drop out rate for girls remain high at both primary and secondary level.</li> <li>• (weak to moderate) Geographic and income inequalities</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: strong, then weak (donor shift to project support)</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	Public funding available to support service delivery expansion (e.g. Capitation Grant, School Facilities Grant)	<ul style="list-style-type: none"> <li>• (strong) Improvement in access</li> <li>• (weak) Persisting issues in quality</li> <li>• (moderate) Gender parity at primary level but drop out rate for girls remain high at both primary and secondary level.</li> <li>• (weak to moderate) Geographic and socio-economic inequalities</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: moderate</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	Quality Enhancement Initiative implemented in the 12 worst districts	<ul style="list-style-type: none"> <li>• (moderate) Geographic and socio-economic inequalities</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: moderate</li> <li>• Capacity building: weak</li> </ul>	UPE and UPPET gender goals Gender in Education Policy	<ul style="list-style-type: none"> <li>• (weak) Gender parity at primary level but drop out rate for girls remain high at both primary and secondary level.</li> </ul>

The significant increase in access to education at both primary and secondary level, including achieving gender equality at primary level, has been as a result of GoU education policy. The main role of BS has been in funding sector strategies which have resulted in significant improvements in access, although the reduction of BS in the second half of the evaluation period has not been able to compensate the decline of the sector government expenditure. The contribution of BS dialogue has been moderate: it has been unable to help protect the expenditure levels, improve the efficiency of expenditure and enhance government actions on quality. Despite the support provided by BS dialogue in this area, particularly in the second part of the considered period, government actions to enhance quality in education and learning achievements have had limited effects. BS has supported gender policies incorporated into UPE and UPPET, with gender parity achieved at primary level, but with less attention paid to addressing the reasons why girls drop out. Finally BS has missed the opportunity of providing specific capacity development support – either directly or through complementarities with other actions – to enhance the efficiency of the implementation of the education strategies at local level, including both financial and human resource management.

### 4.3.2 Water and Sanitation Sector

Table 11 Synthesis of BS contributions to government policies (Step 1) and their contribution to development results (Step 2) - Water & Sanitation

<i>Intensity and type of budget support's contribution to</i>	<i>GoU policies (induced outputs in the IL) having contributed to</i>	<i>Development Results</i>
<ul style="list-style-type: none"> <li>Financing: moderate</li> <li>Policy dialogue: moderate</li> <li>Capacity building: moderate</li> </ul>	Decentralisation of governance and service delivery	<ul style="list-style-type: none"> <li>(moderate) Improved access to services / functionality of water services although strong geographical disparities persist</li> <li>(moderate) Improved access to sanitation services although strong geographical disparities persist</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: strong</li> <li>Capacity building: weak to moderate</li> </ul>	National Framework for Operation and Maintenance of Rural Water Supplies (2004, revised in 2011)	<ul style="list-style-type: none"> <li>(moderate) Improvement in functionality of water services</li> <li>(weak) Persisting geographical disparities</li> </ul>
<ul style="list-style-type: none"> <li>Financing: moderate</li> <li>Policy dialogue: strong</li> <li>Capacity building: moderate</li> </ul>	Provision of piped water supply to rural growth centres through WSDFs	<ul style="list-style-type: none"> <li>(strong) Improvement in access to water services</li> <li>(moderate) Persisting geographical disparities</li> <li>(strong) Insufficient focus on maintenance, rehabilitation and expansion of schemes</li> </ul>
<ul style="list-style-type: none"> <li>Financing: moderate</li> <li>Policy dialogue: strong</li> <li>Capacity building: weak</li> </ul>	Water Supply and Sanitation Sector Investment Plans and Allocation Principles - SIP (2009)	<ul style="list-style-type: none"> <li>(weak) Improvement in access to water services</li> <li>(weak) Improvement in access to sanitation services</li> <li>(weak) Persisting geographical disparities</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: strong</li> <li>Capacity building: weak</li> </ul>	Memorandum of Understanding / Budget line for sanitation by three line ministries	<ul style="list-style-type: none"> <li>(weak) Improvement in access to sanitation services, with only funding of budget line by water sector</li> <li>(weak) Persisting geographical disparities</li> </ul>
<ul style="list-style-type: none"> <li>Financing: weak</li> <li>Policy dialogue: weak to moderate</li> <li>Capacity building: absent</li> </ul>	Water and Sanitation Gender Strategy (2010)	<ul style="list-style-type: none"> <li>(weak to moderate) Some improvements in terms of gender mainstreaming and reporting, but not resulting in improvements monitored by the gender indicator</li> </ul>

GoU's strategy of decentralised implementation of rural water supply and community-based maintenance, and deconcentrated implementation of piped water supplies through WSDFs has resulted in an increased access and functionality of rural and small towns' water supply, and also in improvements of equity. BS has contributed to these improvements through funds, policy dialogue and capacity building, which enhanced policy design and implementation. However, the stagnation in key performance indicators suggests that sector funding is insufficient to reach sector targets, notwithstanding improvements in efficiency and maintenance. Gender mainstreaming in the sector is mainly through monitoring and reporting, but does not result in the promoted increased role of women in management of water points, nor in an increase of women in the sector.

The urban water sub-sector is characterised by important donor project funding, as evidenced by important improvements in urban water coverage. Aspects of maintenance, rehabilitation and expansion are however hardly addressed and future urban water coverage may therefore rapidly stagnate and then decrease. BS was not intended for the purpose of urban water coverage but may have contributed all the same as GoU decides what to do with funds submitted to Treasury.



### 4.3.3 Health Sector

Table 12 Synthesis of BS contributions to government policies (Step 1) and their contribution to development results (Step 2) – Health

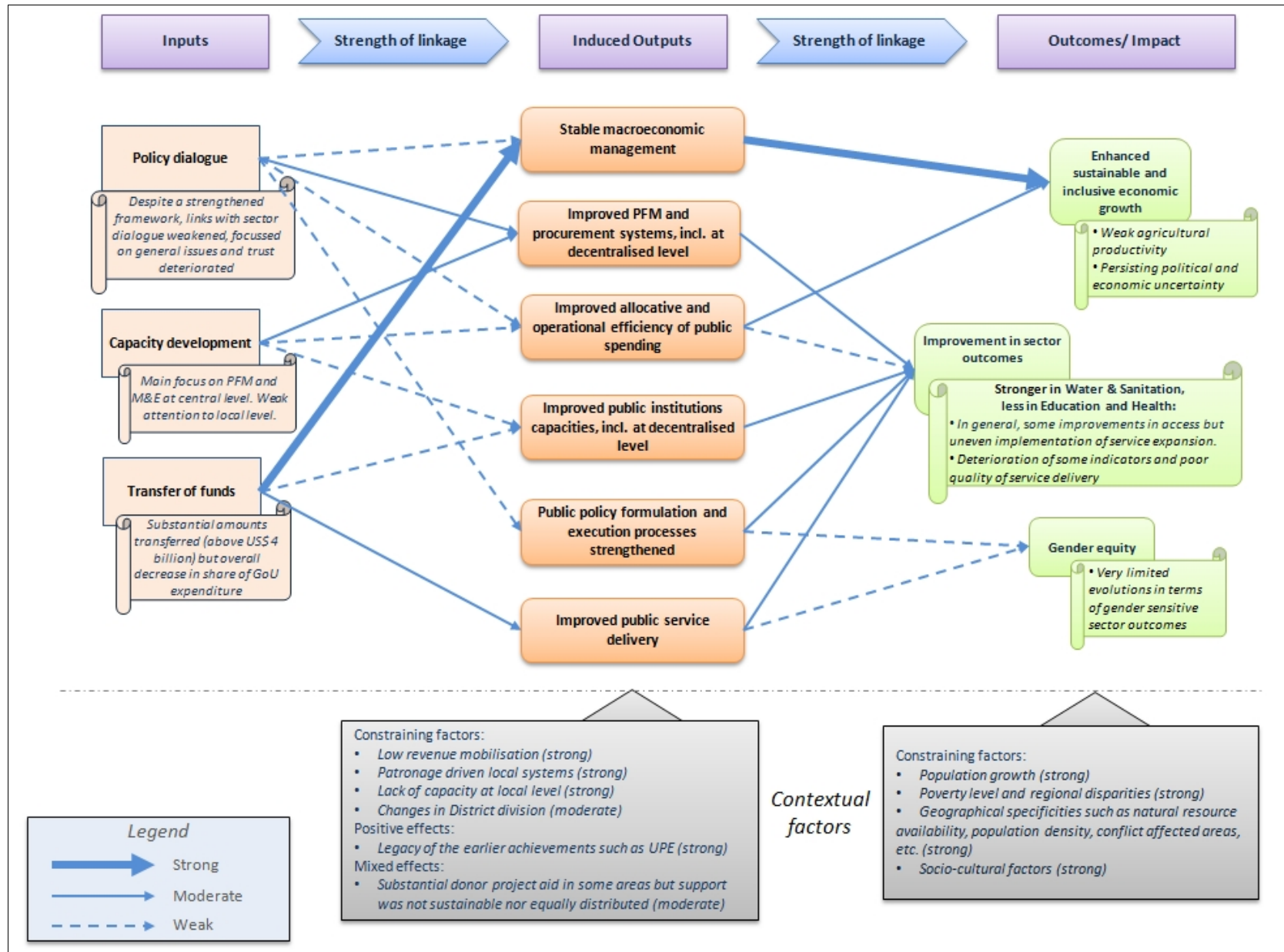
<i>Intensity and type of budget support's contribution to</i>	<i>GoU policies (induced outputs in the IL) having contributed to</i>	<i>Development Results</i>
<ul style="list-style-type: none"> <li>• Financing: moderate</li> <li>• Policy dialogue: weak to moderate</li> <li>• Capacity building: weak</li> </ul>	Sector policy (NHP I and II) and associated plans (HSSIP I and II)	<ul style="list-style-type: none"> <li>• (weak to moderate) Some improvement in access to health care</li> <li>• (weak) Significant inequalities in health care utilization across population groups and in paying for services</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: weak</li> <li>• Policy dialogue: weak to moderate</li> <li>• Capacity building: weak</li> </ul>	Weak quality of care assurance system and mechanisms	<ul style="list-style-type: none"> <li>• (weak) Uneven implementation of service expansion, poor quality of care and overall underperformance on key sector targets and objectives</li> </ul>
<ul style="list-style-type: none"> <li>• Financing: absent to weak</li> <li>• Policy dialogue: weak</li> <li>• Capacity building: weak</li> </ul>	Gender mainstreaming initiatives	<ul style="list-style-type: none"> <li>• (weak) Limited evolutions in terms of gender sensitive health sector outcomes</li> </ul>

BS, mainly through policy dialogue, has contributed to the development of a series of policies, strategies, and plans over the past decade, and BS funds have made possible the implementation of some ambitious initiatives. The overall aim of health sector policies has been to expand services to enhance geographic and, since early 2000s, financial access to health care. Some success can be observed in these areas. From an historic perspective, the health sector has seen several quantitative and a few qualitative improvements: expansion of provider networks; abolishment of patient user-fees; and sustained management of HIV patients.

However, most policy targets have been quantitative in nature and only more recently has the GoU focused on quality issues. Some important underlying and inherent inefficiencies hampered policy implementation. They appear to have remained while BS has overlooked the need for a more realistic and efficient use of resources. Likewise, gender challenges remain along with technical and managerial capacity weaknesses.

Figure 33

Simplified representation of the budget support contribution to the achievement of targeted development results



## 5 Overall assessment

**Development context.** Uganda experienced robust economic growth over the last decade, resulting in steady gains in per capita income, despite rapid population growth. Robust growth has been accompanied by significant poverty reduction, although poverty and vulnerability remain high. Important gains were achieved in access to basic education, health, and water and sanitation. Uganda, however, continues to experience very high rates of demographic growth, among the highest in the world at 3.3 percent per year which makes poverty reduction and service delivery more difficult.

In 1998, the Poverty Eradication Action Plan (PEAP) framework was introduced as the Government's overarching policy planning framework until 2010. Then, the Government developed an ambitious new vision for the development of the country, aiming to achieve middle-income status within 30 years. The National Development Plan 2010-2015 entails a significant shift in emphasis towards economic infrastructure, linked to the discovery of oil, gas and minerals. Social services sectors - which have been the long-standing focus of the Government's policies and external donor support, including education, health, and water and sanitation, assume secondary priority.

Uganda has traditionally received large amounts of international aid in the form of BS. Total BS decreased substantially from a high of almost USD 700 million in FY06/07 to well below USD 100 million as of FY12/13. Of the twelve BS partners, the World Bank was the biggest contributor with USD 1.2 billion followed by the UK and the EU who provided USD 480 million and USD 290 million respectively.

Against this backdrop, the donors reduced their engagement and volumes of BS in recent years in response to their objectives diverging from the government's. This and the corruption episodes resulted in the erosion of trust. In 2013, in the context of the High-Level Action Matrix (HLAM), the Government took important corrective actions and, on that basis, some donors restarted engagement but more reduced scope and volumes than before. However, there remain fundamental questions about the direction, scope and content of future BS, Government-Donors future partnership and policy dialogue, mix of support modalities, and sectoral priorities.

This report evaluates all BS to Uganda during 2004-13 period providing not only a comprehensive retrospective assessment but also lessons and recommendations for the future.

### 5.1 Relevance and design

The **relevance of budget support objectives** was high. Budget support in Uganda explicitly supported the government's PEAP<sup>97</sup> and NDP throughout the period of review. Major sector policy areas of focus—education, health, and water and sanitation, as well as public financial management and governance—featured prominently in all budget support programmes and documents. Macroeconomic stability and fiscal management were also part of the programmes supported in particular by the World Bank, which were coordinated with the IMF in the context of the IMF programmes.

Overall, the objectives of budget operations were broadly aligned to the government's priorities. They were also harmonized with development partner strategies and reflected the country context. The strong alignment and harmonization were an outcome of an extensive process of consultation and policy dialogue between the government and the development partners, which culminated in the Joint Budget Support Framework (JBSF) in 2008. The advent of JBS raised the political level of the policy dialogue through a more direct involvement of the Prime Minister's Office and enhanced consultation across sectors. Throughout the period, however, there were issues of substance of alignment and a gradual divergence of priorities and interests between government on the one side and development partners on the other.

The government's key strategic documents (PEAP and NDP), indeed, show a strong correspondence between the stated objectives of the GoU's and the focus and results outlined in the budget support documents. Also, sector policy and investment plans and strategic documents reflect well government's country priorities and budget support programme objectives. However, in practice, priorities pursued by the GoU on the one hand and by the DPs through BS on the other began to diverge over time. The GoU gradually shifted national investment priorities toward productive sectors (e.g., infrastructure), increased the relative importance of public administration expenditure in connection with the electoral cycles (e.g., via proliferation of district, reduction of the local tax base), and kept domestic revenue

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<sup>97</sup> The PEAP had four core challenges, namely: (a) the restoration of security, dealing with the consequences of conflict and improving regional equity (b) restoring sustainable growth in the incomes of the poor (c) human development (d) using public resources transparently and efficiently to eradicate poverty. The PEAP was grouped under five 'pillars': (1) Economic management, (2) Production, competitiveness and incomes (3) Security, conflict-resolution and disaster-management (4) Good governance and (5) Human development.

mobilization low, despite the substantial service delivery needs. This shift in priorities was complete in the second half of the decade. By contrast, DPs for their part continued to focus their BS operations on social sectors, while addressing infrastructure and productive sectors through other aid modalities<sup>98</sup>. DPs also opened a wide political/principle area of discussion with the government on issues of governance and public administration expenditure among others and de facto conditioned BS on those issues. As the priorities began to diverge and principle issues became more binding, the volumes of budget support and the quality of the sector policy dialogue *within* sectors declined.

In 2004 already, development partners supported GoU's preference for general budget support (as opposed to sector budget support), moving away from explicit notion of additionality towards a more flexible use of budget support modality. The establishment of a new budget support framework in 2008 (JBSF) strengthened DPs coordination and their high-level, multi-sector dialogue with GoU. However, this happened at the cost of increasing distance between the government's support for sector policy dialogue as well as the distance between the policy dialogue and the actual policy implementation and outcomes at sectoral and local levels.

The overall relevance of objectives was undermined by diverging objectives as well as missed opportunities in several major policy areas. These missed opportunities were increasing revenue mobilization, controlling population growth, strengthening local government revenue base and capacity, gender inequities, and giving greater priority to agriculture and increasing rural productivity. It was not for the lack of foresight: these issues were largely anticipated in earlier evaluation assessments of budget support, and some were identified as major development risks. These issues are elaborated in the section 0 of this report on lessons.

**Relevance of design** was moderate with important missed opportunities in the same areas noted above. Relevance of design is understood as the extent to which project (or cluster of projects) design (activities and policy areas) is consistent with stated objectives including assessment of the results framework. Results framework is the logic that links inputs and outputs to outcomes the programme is trying to achieve. By contrast, M&E are measurable indicators trying to measure and track all links in the causal chain.

Specific objectives of budget support could have been clearer, fewer, and better linked to intermediate and final outcomes, especially in the earlier part of the period of review when World Bank's PRSC matrices were the key tools in the results and M&E framework. Many intermediate output indicators are not made explicit. Baselines and output indicators are often unclear. And there is less than convincing chain of logic from objectives to outputs and outcome indicators.

Reasonably good performance monitoring systems are in place to monitor the implementation of *sectoral* policies, with the system being closely linked to policy dialogue platforms / sector reviews. Shortcomings are, however, evident in key sectors—education, health, and water and sanitation—with regards to the reliability of data though these appear to be more important in the education and health sectors. The absence of reliable information and evidence on activities in the sector remains a major weakness of the Ugandan health sector. Despite the efforts deployed to continuously improve indicator monitoring some doubts remain on reliability of figures particularly with reference to data on gender and equity, which seem to be fluctuating rather than presenting a clear increasing / decreasing trend.

The "JBSF period" during 2008-12 saw a shift from the assessment of performance largely based on the PRSC matrix to one based on the JAF, which explicitly incorporates governance issues within the BS framework in the form of underlying principles focused on democracy, human rights, rule of law, and access to justice. It also saw an institutional shift in the centre of management of BS on the GoU side from the Ministry of Finance to the Office of the Prime Minister. The latter was driven by internal GoU processes in view of the coordinating role within GoU held by the OPM. While the capacity and technical expertise on financial and economic policy dialogue remained concentrated in MoFPED, this shift responded to the DPs desire for inclusion of governance issues within the BS dialogue, issues which fell beyond the remit of the MoFPED.

Changes in the results and M&E frameworks and the government's coordination have addressed some of the earlier problems, increasing the concreteness and relevance of the results and M&E systems, coordination among DPs and helped improve the dialogue at the highest decision making level. In particular, PRSC matrices for World Bank budget support show learning from the past and gradual improvements in the concreteness and quality of results framework and chains of attribution. But these gains in relevance and design apparently have not translated well into adequate mechanisms and tools

<sup>98</sup> The World Bank aligned its strategy to the Government and supported its objectives in financing infrastructure through investment projects, in addition to providing reduced volumes of budget support. The EU has also provided significant support to the productive sectors; transport and agriculture / rural development constituted key pillars of the intervention strategy over the whole evaluation period, although in these areas support was provided in the form of programme aid rather than budget support.

to analyse and support the actual implementation (including financial and technical capacities) at sectoral and local level.

Importantly, the JBSF phase saw a further divergence of expectations between the government and development partners. Interviews and documentation reviewed record concerns from both sides. On the one hand, the government questioned the inclusion of underlying principles within the JAF framework, asked for clear indicators against which performance could be clearly assessed, and raised the issue that the JAF did not adequately reflect GoU priorities and that it was not sufficiently aligned with annual performance commitments in Budget Framework Papers (BFPs). On the other hand, DPs expressed concern over progress on governance and corruption ('questionable commitment to upholding the rule of law and the protection of constitutionally defined human rights', lack of compliance with pre-conditions on anti-corruption actions as foreseen in both JAF 1 and JAF 2), increasing expenditure on defence (including the off-budget purchase of fighter jets in 2010), lack of "net improvement in performance in the education and water and sanitation sector indicators since JAF 1", and diverging GoU budget priorities vis-à-vis donors' interests. These frictions resulted in increasing the distance within the existing higher level dialogue structures and show how—despite the formal convergence of objectives on paper—priorities pursued actually diverged.

Despite these frictions, development partners were slow to react, and to do so in a coordinated manner, but design of budget support and its priorities remained largely unchanged. In general, the JBSF phase is characterized by a strong ambivalence on the DPs side where the objectives of supporting poverty reduction actions by funding the GoU budget and of sending signals by withholding aid lead to the use of (uncoordinated) cuts in budget support rather than to a long-term change in the approach to the provision of aid. From the point of view of the government, this introduced additional uncertainty and unpredictability in BS flows and further undermined mutual trust.

Regarding the causality chain, strengthening of the PFM and (in the second phase) the establishment of an elaborate performance monitoring system were the areas where the articulation was clearest. In the PFM, this has also presaged significant gains in capacity building in some of the key governance and accountability institutions.

Design of BS - as the objectives discussed above - however, have overlooked several major policy areas important for poverty reduction and service delivery: domestic revenue mobilization, population control, capacity development especially at the local level, local government tax base, and quality of service delivery, and gender inequities.

## 5.2 Achievement of budget support objectives

***Overall, achievement of budget support objectives (efficacy) was modest, with stronger achievements in the earlier period of analysis.***

### 5.2.1 BS flows, policy dialogue and technical assistance

While ODA to Uganda has significantly increased (namely non-government grants) in the period considered, BS has shrunk from almost 70 percent of government development expenditure to about 4 percent, with significant reductions in 2005-06, 2009-10 and 2012-13. This evolution is linked to a deterioration of the trust between GoU and DPs and has had consequences on the level of public expenditure and on the government discretionality in the budget allocation. Analysis of expenditure evolution in priority sector compared to counterfactual suggests that BS has certainly contributed to maintain a minimum level of sector expenditure that would not have been achieved in the absence of BS. However, with domestic revenue mobilization low and periodic supplemental budgets distorting original budget allocations, resources actually flowing to the three sectors have been insufficient to ensure the provision of improved service delivery.

The dialogue framework before the JBSF was particularly focused at sectoral level and at the level of the MoFPED. The JBSF promoted a stronger coordination of the DPs and elevated the dialogue at the level of the OPM. This improved the general performance monitoring framework and procedures, but the link with the sectors was partly lost, also for a reduced interest of the sectors in GBS and the related end of BS additionality both in theory and in practice. The dialogue overlooked the implementation and focused more and more on general issues, principles and political disputes.

In the early period, TA and complementary measures focused on the efficiency of public spending. Under the JAF, important complementary actions were carried out in the PFM, public sector reform and performance monitoring areas. Other areas, such as support to local government were addressed but were not adequately connected to and prioritised through the dialogue. The establishment of TASU in 2010 enhanced the assistance to the BS dialogue process and contributed with some high quality studies and analyses namely in the fiscal area, but was not able to improve access to capacity development resources in specific areas linked to the DPs and GoU dialogue.



### 5.2.2 Macroeconomic and fiscal management

Overall, Uganda has maintained broadly solid policy performance over the period under evaluation. It has also been building on the previous tradition of solid macroeconomic management. This has allowed the country to draw on several IMF programmes, obtain huge debt reduction support through the HIPC mechanism, and receive considerable donor BS. The government managed to control aggregate public expenditures, except during the periods of elections. This suggests substantial political cycle component in the trajectory of public expenditures. In the latter part of the period under review, since external resources (including budget support) and revenues remained insufficient, the government cut current and development expenditures to keep the deficits within manageable levels. However, this translated into significantly reduced funding at sectorial and programme levels, which undermined service delivery.

BS contributed to solid overall fiscal management during the early years under review. However, Government's revenue mobilization strategy and revenue mobilization outturns have been the Achilles heel of the overall policy framework supported by BS. Despite strong awareness among DPs and declarations of intent including within policy dialogue frameworks, this issue did not become one of the top priorities and DPs continued to provide substantial BS during the first part of the period under review, irrespective of the repeated slippages in government revenue performance. As BS declined relative to total government expenditures it was funding, the government's fiscal discipline weakened in the context of low domestic revenue mobilization.

### 5.2.3 Public finance management

Uganda has been a strong performer in PFM matters over much of the last decade and the PFM reform process has improved at various levels. Important achievements can be observed in terms of the quality of budgeting and planning and the efficiency of public expenditures.

However, despite important positive evolutions in the early stages of the evaluation period, Uganda PFM reform process falls short in a number of areas and some key PFM indicators have even deteriorated in the last few years. Areas of concern include, in particular, budget credibility, the transparency of inter-governmental fiscal relations and the quality of the PFM reform process at the decentralised level.

Budget Support has contributed in many ways to the evolutions observed in PFM reform. Budget support acted as a catalyst for DPs to strengthen government systems, while at the same time providing the necessary leverage to pursue reform at the central level. Moreover, substantial technical assistance, capacity building activities, and analytical services provided in the framework of BS were key in the development and implementation of the reforms. However, BS failed to enhance domestic revenue generation and to address the important needs in terms of capacity building at the local level.

As of writing, at end-2014, the government has pressed ahead further with important legislative PFM reforms and the second phase of the FINMAP programme covers the entire financial management spectrum. A comprehensive PFM bill has been presented by the authorities to parliament to deal with some of the structural weaknesses including lack of credibility, integrity, and predictability of the budget. These reforms are significant. If legislated and implemented, they will result in a major improvement in PFM systems and performance in Uganda.

### 5.2.4 Expenditure composition and pro-poor spending.

Pro-poor budget allocations, as identified in the PAF, grew rapidly in the first years after the set-up of the PAF, more than tripling in real terms from 1997/98 to 2002/03. During most of the period under review, GoU continued to meet its formal commitment to increase pro-poor allocations and protect PAF expenditure during budget execution. However, targets were set in nominal terms, and not relative to total government expenditure. After the initial surge in allocations to the PAF until 2003/04, a slowdown in pro-poor allocations gradually started and was then precipitated by an increase in the allocation for productive sectors and defence expenditures that frequently exceeded the approved budget. Furthermore, a commitment to reduce the deficit without sufficiently raising domestic revenues meant that there were relatively less funds available to finance key priorities, and policy trade-offs between pro-poor and productive sector expenditure became more acute.

The decline in BS funds in recent years combined with the failure of BS partners to help GoU increasing revenue and improving the efficiency of public expenditure at sectoral and local level have weakened the positive effects of BS on pro-poor expenditure both quantitatively and qualitatively. That said, overall, BS contributions to allocative and operation efficiency of public expenditure have been significant. If not weakened in the way described above, BS would have been irreplaceable as shown in the first years of the PAF. Relying solely on investment projects would have not helped to the same extent putting in place a national strategy in the early 2000s, with strong ownership and important results obtained in education, health, water and PFM reforms. In the last years, it is possible that

earmarked sectoral support and projects would have contributed better to pro-poor expenditure, although they would not have helped building a financial management and monitoring system suitable to ensure the long term sustainability of such expenditure.

### 5.2.5 Service delivery

Policy implementation processes and public service delivery in both education and health at both central and local level have not shown significant progress over the evaluation period, due to the reduction in the relative shares of the budget destined to the social sectors, the deterioration in the ratio of front line service delivery allocations for each JBS focal sector, as well as increasing cuts in sector budget releases compared to allocations. There has also been a gradual reduction in the analytical, technical and managerial capacities at institutional level. This has not been the case of the water and sanitation sector where policy processes and quality of policies have been progressively improving as a result of a vibrant consultative process.

BS has had no influence on sector policy formulation although it has influenced part of the contents of the policies after their announcement and/ or supported their implementation through the provision of funds as well as through a mix of policy dialogue and accompanying measures. More specifically, budget support has:

- Strongly contributed to maintain a minimum level of sector expenditure in the social sectors and – although real per capita spending has decreased in the education and health sectors and slightly increased in the water sector – it is clear that without BS funds, service delivery would have further declined as highlighted by numerous interviewees.
- Supported the establishment of performance assessment frameworks which have contributed to an improved system for policy monitoring and evaluation of results.
- Supported in the water sector which is characterized by a well developed sector wide approach, institutional and technical capacities through the use of a mix of aid modalities.

### 5.2.6 Governance and accountability

Overall, budget support has contributed significantly over the years to the quality of governance institutions and accountability. Governance indicators have improved across a number of areas, especially in the earlier years of the evaluation period and on the upstream side of the accountability chain. Also, budget support and related policy dialogue, directly and indirectly, helped strengthen some key governance and accountability institutions such as the Auditor General's office and Inspector General's office as well as their relative importance within the government institutions. However, progress is especially lacking regarding downstream of the accountability chain e.g., following up on upstream decisions, enforcement of prosecution, and recovery of funds.

The observed gains achieved could have perhaps also been achieved by greater focus on capacity building and TA targeting specific bottlenecks with possible quicker results (over and above of already substantial support through these instruments provided by DPs included in the form of complementary measures to BS). Budget support however played a key role in ensuring that governance issues remain at the top of the national policy agenda, which would have been more difficult in an environment of mostly projects and/or TA support. Broader institution strengthening requires comprehensive initiatives since capacity issues observed in the various relevant institutions are often interrelated and it is unlikely that project support alone would have contributed with the same success to keeping the governance and accountability issues high in the GoU agenda thus making BS (with the appropriate accompanying measures) the ideal instrument for the provision of support in this area.

### 5.2.7 Sector outcomes

#### Education

The significant increase in access to education at both primary and secondary level, including achieving gender equality at primary level, has been as a clear result of GoU education policy. The main role of BS has been in funding sector strategies which have resulted in significant improvements in access, although the reduction of BS in the second half of the evaluation period has not been able to compensate the decline of the sector government expenditure. The contribution of BS dialogue has been moderate. Despite active policy dialogue, particularly in the second part of the period under review, government actions to enhance quality in education and learning achievements have had limited effects. BS has supported gender policies incorporated into UPE and UPPET, with gender parity in terms of gross enrolment achieved at primary level, but with less attention paid to addressing large dropout rates and the reasons why girls drop out. Finally, BS has missed the opportunity of providing specific capacity development support to enhance the efficiency of the implementation of the education strategies at local level, including both financial and human resource management, which was critical in ensuring sustainability of local service delivery.

### Water and Sanitation

GoU's strategy (based on the decentralised implementation of rural water supply and community-based maintenance, and deconcentrated implementation of piped water supplies through WSDFs) has resulted in an increased access and functionality of rural and small towns' water supply. It also led to significant improvements in terms of equity. BS has contributed to these achievements through the provision of funds and active policy dialogue. Capacity building was also crucial to enhance policy design and implementation. However, the stagnation in key performance indicators suggests that sector funding is insufficient to reach sector targets, notwithstanding improvements in efficiency and maintenance. Moreover, gender mainstreaming in the sector did not result in an increased role of women in management of water points and the wider consideration of gender issues in the sector.

### Health

BS, mainly through policy dialogue, has contributed to the development of a series of policies, strategies, and plans over the past decade, and BS funds have made possible the implementation of some ambitious initiatives. The overall aim of health sector policies has been to expand services to enhance geographic and, since early 2000s, financial access to health care. From an historic perspective, the health sector has seen several quantitative and a few qualitative improvements: expansion of provider networks; abolishment of patient user-fees; and sustained management of HIV patients. However, most policy targets have been quantitative in nature and only more recently has the GoU focused on quality issues. Some important underlying and inherent inefficiencies hampered policy implementation. They appear to have remained while BS has overlooked the need for a more realistic and efficient use of resources. Likewise, gender challenges remain along with technical and managerial capacity weaknesses.

### Gender

In a nutshell, Uganda has a substantial legal framework for greater equality of women, but its implementation has been limited and there are major gender gaps in many areas of society. Gender mainstreaming in the government has remained largely at the level of rhetoric. Moreover, many and deep gender gaps prevent women from taking advantage of economic opportunities, such as the rights to inheritance, treatment of married women, access to finance etc. In education, there were gains in the enrolment rates over time, but gender gaps in literacy, dropout rates, and attainment are striking. This is reinforced by cultural factors such as adolescent marriages and apparently no effective policy towards birth control resulting in the exceptionally high fertility rate. Maternal mortality has declined reflecting some improvements in basic health services, but it remains high. Finally, regarding access to economic opportunities in labor and finance markets, data suggest that women's labor force participation is high, but this reflects the prevalence of women workers in the informal, rural, subsistence economy. Opportunities for women are far fewer in other sectors of the economy requiring specialized skills and higher education. Women are also clearly disadvantaged in the access to finance as reflected in access and gender gap statistics.<sup>99</sup>

## **5.3 Risk to development outcomes**

There is high risk that even mixed outcomes in education and relatively poor outcomes in health and better outcomes in water and sanitation will not be sustained because of the main policy risk of low revenue mobilization translating into underfunding for these key sectors. This is compounded by very limited capacity at the local level.

At sector levels, there are other, severe risks of many outcomes in education and health unravelling in the future because of a combination of factors such as lack of policy focus, underfunding, neglect of quality, and general direction of policies (e.g., extension to post-primary education, proliferation of districts, lack of robust local tax base) running counter the need for high quality service delivery in education and health and water and sanitation. These risks are multifaceted and include continued policy drift, financial (funding), economic (country or sector level), political, social, government ownership and commitment, and governance.

## **5.4 Government performance**

The government performance in the areas of commitment, ownership, harmonization, alignment and coordination with DPs has been strong in the first period, but weakened in the second, reflecting diverging policy priorities. The government should be recognized for active engagement and

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<sup>99</sup> Annex 9, in volume 3, provides a more extensive overview of some key constitutional, legal, institutional, and economic factors affecting gender equality (equality before the law) and gender equity (equitable economic and social outcome) in Uganda. It does so by presenting an updated picture of these factors in Uganda based on the latest data available and, in particular, by *benchmarking* Uganda against relevant comparators.

participation in the dialogue and the preparation of the agreements, but compliance with agreements in the achievement of objectives was relatively weak. Enabling environment (macro and institutional, and legislative policies) as well as in PFM and upstream governance institutions were relatively stronger components of the overall policy and institutional environment but ground was lost in some of these areas in recent years. Stakeholder consultation and involvement was generally strong in the early period and weakened later on. Involvement and participation of the civil society, however, has been comparatively weak. Readiness for implementation of declared policies and timely resolution of implementation issues and follow-ups were the weakest elements of policy making and implementation, especially at the local levels. Fiduciary issues, even though partly addressed in the HLAM left the lack of trust between the government and the DPs. M&E framework has improved over time but with remaining gaps in the quality of data and indicators and their usefulness has declined in line with the quality of the dialogue and BS around sector groups. Relationship and coordination with donors and stakeholders began as strong but remained weak and is now at a crossroads.

## 5.5 Donor performance

The donor performance mirrors the government performance and the evolution of the partnership over time. In the earlier period of analysis, commitment, harmonization, alignment and coordination has been strong. Many DPs provided important contributions to financing, dialogue, and results. But the scope of engagement, ambitions, and expectations of DPs may not have been realistic given constraints. The DP contribution has weakened in the latter period, reflecting diverging policy priorities, withdrawal of some DPs and reduced BS volumes, and weakening policy dialogue. Given the extent of the policy dialogue and the importance of BS for the government budget, DPs have also missed opportunities to *adjust* strategy and put major issues more forcefully on the policy dialogue agenda and earlier in the process: domestic revenue mobilization, population control, local government capacity building, and gender inequity in particular. Instead, the DP strategy appears to have remained broadly constant, focused on social sector delivery, despite changing context—diverging Government-DP objectives and unwinding of some of the gains in service delivery, directly related to the missed opportunities in policy emphasis. The efforts in restoring trust and dialogue on both government and DP sides during the latest HLAM period is commendable. This may presage a new period which will restore partnership based on a more realistic and focused, sector oriented BS with strong emphasis on local capacity building and implementation.

## 6 Key recommendations and detailed lessons

### The way forward

In response to the overall assessment, the evaluation has formulated lessons from the past as well as a set of comprehensive, forward-looking recommendations to help the stakeholders review the present GoU-DPs partnership, strengthen the dialogue around a shared agenda, and work together towards new forms of cooperation. Regarding the future directions, four areas are important in defining the way forward: focusing on the areas of highest impact and need, implementing sector-wide approaches, broadening the mix of support instruments, and strengthening mutual accountability and dialogue.

**Focusing on areas of highest impact and need.** Given the growth challenges and serious risks to the key social and economic achievements made so far, the future partnership between GoU and DPs should consider less ambitious support programmes and focus on areas of highest impact and need, with a view to:

- increase government revenues,
- reverse underfunding and serious deterioration of social service delivery,
- strengthen downstream governance institutions, accountability and enforcement,
- support longer term strategies for growth and poverty reduction including those focused on infrastructure and agriculture,
- integrate gender equality and equity, civil society participation, and local implementation capacity into the top of the sectoral development agendas.

**Implementing sector Wide Approaches (SWAs).** The development of solid sector wide approaches (SWAs) seems a most suitable framework to enhance sectoral outcomes and ensure effective, implementation-driven dialogue between GoU and DPs, including their harmonisation and alignment.

**Broadening the mix of external support instruments.** Under solid SWAs, the use of a broader mix of external support instruments will allow to ensure flexible responses to specific problems. In the social sectors, sector budget support (SBS) and basket funds, for example, would ensure the protection of sectoral investment, while avoiding excessive project fragmentation and weak GoU ownership. Various accompanying measures including in the form of individual projects should be considered as well to enhance implementation capacity. There should also be some scope for experimentation, for example, with new, results oriented aid modalities. This mix of aid modalities could be also accompanied by a limited BS to support MoFPED and reinforce cross-sector coordination. This should also be accompanied by much stronger emphasis on local capacity building.

**Strengthening mutual accountability, policy, and political dialogue.** A focus on sectoral and unambiguous results will increase mutual accountability of GoU and DPs, facilitate policy dialogue, and consolidate the already important achievements of the High Level Action Matrix (HLAM). Political dialogue should take place in separate instances, limiting overlapping with BS dialogue while enhancing complementarities with sectoral policy dialogue, shared understanding on principles, and reduction of political risks.

### Lessons from the past and lessons for the future

The main lessons of the evaluation regarding both the experience and future prospects are summarised in the table below. Fifteen lessons from the past are highlighted, with corresponding lessons and recommendations for the future. They are clustered around cross-cutting issues and those affecting sectors of the evaluation focus: education, health, and water and sanitation.



No.	Lessons from the past	Lessons for the future
	<b>Cross cutting issues</b>	<b>Cross cutting issues (DP, GoU, Civil Society)</b>
1	<ul style="list-style-type: none"> <li>• <b>BS Effectiveness.</b> BS has supported macro-economic stability, PFM, and upstream governance and accountability, and development in key social sectors. However, it has also shown significant weaknesses: escalation of public expenditure in administrative sectors combined with low levels of government revenue and inadequate funding for basic services. BS targeted results—compared to performance matrices and to past trends and regional standards—have been below the expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ensuring a more selective focus on the key challenges.</b> Going forward, DPs and GoU should consider less ambitious and more selective programmes and focus on areas of highest impact and need, e.g., downstream accountability and enforcement, budget credibility and transparency, very few priority sectors, to reverse underfunding and serious deterioration of social service delivery, backed by local government capacity building and a forceful emphasis on increasing government revenues.</li> </ul>
2	<ul style="list-style-type: none"> <li>• <b>Partnership.</b> Partner relations between GoU and BS DPs have gradually deteriorated in terms of divergence of priorities, interests, and trust. The decision to strengthen GBS at the beginning of the evaluation period overlooked the risks linked to such a divergence of interests. GBS and its comprehensive dialogue framework have become increasingly ineffective. It gradually lost touch with policy implementation in the key sectors and pursued overambitious objectives spread over too many policy areas. Only in the very last phase of the evaluation period, the HLAM managed to restore a framework of mutual accountability, potentially creating the basis for renewed trust and cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Reinforcing the practical foundations of the partnership between GoU and DPs.</b> This will help rebuild trust around more focused but genuinely shared agenda. A more pragmatic approach will help address the complex challenges and risks linked to the potential transition of Uganda toward a middle-income oil exporting economy. Moving policy dialogue nearer to the practical/technical problems and the local implementation level would help find a new convergence of interests on a more realistic set of objectives. Solid sector-wide approaches (SWAps) in the key areas should help re-launch the effectiveness of the partnership.</li> </ul>
3	<ul style="list-style-type: none"> <li>• <b>Polarization of GBS and project-led strategies.</b> The two strategies were often viewed as mutually exclusive. GBS has built a high-level consultation framework and tried to embrace from the top a very wide and ambitious range of issues. But as GBS declined, on-budget investment projects have multiplied resulting in fragmentation, and SBS declined sharply. Apart from the water sector, the polarization and lack of coordination between BS and projects has been a factor of inefficiency and ineffectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Broadening of the mix of modalities, while ensuring sector coherence, coordination and complementarities.</b> A flexible and coordinated mix of financing modalities and instruments should be adopted to address specific sector objectives at central and local level and adapt to the specific constraints. This may include SBS and/or basket funds, which are able to protect sector investment while avoiding excessive project fragmentation and weakening of government ownership. Various accompanying measures even in the form of individual projects should be considered to enhance implementation capacity. There should be scope for some experimentation, for example, with results oriented instruments. Such mix could be accompanied by limited GBS to support MoFPED and reinforce cross-sector coordination. Innovative forms of partnership (e.g. PPP) should be identified and supported in infrastructure, science and technology, and other growth-related areas. In the short-medium term, the priority should be on reversing the negative trends in the social sectors and on strengthening resource mobilisation and coordination at MoFPED level.</li> </ul>
4	<ul style="list-style-type: none"> <li>• <b>Capacity building.</b> With the exceptions of PFM, and upstream governance institutions—policy areas and institutions showing most improvement— capacity development, be it in the form of accompanying measure to BS or specific project support, has been generally overlooked, especially at the local government level, and in health and education (a shortcoming which was not addressed through the introduction of TASU in 2010).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increasing capacity building, with an emphasis on the local level.</b> The delivery of funds, under different modalities, should be complemented with coordinated and significant institutional building and capacity development measures at all levels. Local capacity building should be considered a high priority and a key component of the sectoral programmes in order to enhance their effectiveness.</li> </ul>

No.	Lessons from the past	Lessons for the future
5	<ul style="list-style-type: none"> <li>• <b>Dialogue.</b> Many DPs contributed to a wide range of policy areas. But focus—needed for implementation and results—was lost. In the JBSF period, previously close links with sectoral priorities and implementation weakened. In addition, there has been an increasing overlap of political, human rights, and economic elements in the overall policy dialogue – without the necessary clarity, distinctions, and complementarities – which has affected its strength and mutual trust.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Restoring sector dialogue and SWAps.</b> Dialogue between GoU and DPs should remain firmly anchored in the realities of the sectoral and local performance. SWAps seem the most suitable framework to develop an open and constructive dialogue to improve policy formulation and implementation, identify capacity gaps, and ensure the complementarity of the different aid modalities and programmes. Political dialogue should be separated from the sectoral policy dialogue. Political dialogue could aim at improving political understanding, limiting political risks, and possibly enhancing technical and financial cooperation.</li> </ul>
6	<ul style="list-style-type: none"> <li>• <b>DPs coordination.</b> This has shown various weaknesses, even in the JBSF period and it has been affected by the lack of focus on sectoral implementation. Despite a joint PAF, each DP has pushed somewhat different priorities within the overall donor frameworks. DPs were also taking independent and, at times, uncoordinated disbursement decisions, undermining BS predictability and credibility of the joint framework, and complicating the government's budget management.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Shifting DPs coordination mainly towards sectors but with important role for MoFPED.</b> DP coordination should be mainly based on sector wide approaches and strengthening of the cross-sector coordination of the MoFPED, with a close link to the actual programme implementation. More general and principle issues should be addressed through political dialogue in the specific instances where this takes place.</li> </ul>
7	<ul style="list-style-type: none"> <li>• <b>Civil society.</b> The level of civil society participation in policy implementation and as a watchdog has been generally low in the areas focused by BS, particularly in PFM and education. This lack of effective participation of the civil society has contributed to the mixed performance in the sectors. BS dialogue has not included any specific focus and target in this area.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Enhancing civil society participation</b> to complement government action, especially in education and other social sectors, and to control public expenditure transparency and effectiveness should be put at the centre of the sector policy dialogue to enhance policy outcomes.</li> </ul>
8	<ul style="list-style-type: none"> <li>• <b>Gender.</b> Gender equality and equity principles have been often declared in BS performance assessment frameworks and in government sectoral policies. But they have almost never been effectively implemented through specific policies and measures, while BS dialogue has been unable to support their prioritisation. Below the surface of some basic indicators of gender parity, major gender inequities remain.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Gender equality before the law and institutions and gender equity in terms of economic and social opportunities and outcomes should be included much more forcefully in all sectoral programmes</b> to ensure their implementation through specific measures and monitoring indicators, including funds (for the establishment of gender focused services) and capacity development support at national and local levels. Given the critical role of women in household welfare, child health, and the rural economy, greater gender equity would directly support poverty reduction and sector outcomes.</li> </ul>
9	<ul style="list-style-type: none"> <li>• <b>Data availability / reliability.</b> The availability and reliability of data represented a major challenge in the evaluation. After more than a decade of BS data collection and processing on service delivery and results in the targeted social sectors, there remain serious gaps in the quality and reliability of data on priority sectors.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Data collection and processing in the targeted sectors</b> should be considered a key priority of the policy dialogue and should be addressed during the formulation of future BS and other policy support programmes. Possible joint programmes financed by different DPs should be included in the relevant financing agreements or added as complementary, accompanying measures either at sectoral or general level. Equally important, better sector data should be made widely available, to the government, the civil society, and the DPs for monitoring and policymaking purposes.</li> </ul>

No.	Lessons from the past	Lessons for the future
	<b>Sectoral and thematic issues</b>	<b>Sectoral and thematic issues (GoU and DPs)</b>
10	<ul style="list-style-type: none"> <li>The shift of JBSF dialogue at the OPM level has overlooked the <b>importance of MoFPED</b>, which remains a key technical agency and an actor for policy development, coordination and implementation. This is in particular in view of the critical need to increase domestic revenue and expand local revenue base, and improve expenditure efficiency and effectiveness at national, sector and local level.</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU.</b> Enhance the role of MoFPED to strengthen the credibility and sustainability of the budget and improve expenditure efficiency.</li> <li><b>DPs.</b> Priority actions should include: <ul style="list-style-type: none"> <li>BS of limited size to be agreed upon with MoFPED, with a focus on revenue mobilisation and PFM (namely Local finance), and efficiency for poverty reduction and sustainable growth.</li> <li>Capacity development (complementary to BS) on revenue and local finance.</li> </ul> </li> </ul>
11	<ul style="list-style-type: none"> <li><b>Fiscal Management.</b> Persistent, low <b>revenue mobilization</b> has undermined sustainability of social sector outcomes. Frequent, poorly justified <b>supplemental budgets</b> undermined budgetary credibility and worsened the composition of public expenditures.</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU.</b> Make annual increases in domestic revenues in terms of revenue-to-GDP ratio a top fiscal priority and ensure accountability of relevant agencies. In addition to the new budgetary contingencies, consider stricter legal limits and criteria on the passage, size and structure of supplemental budgets.</li> <li><b>DPs.</b> Future BS should be conditional on the achieved improvements in domestic revenue mobilization.</li> </ul>
12	<ul style="list-style-type: none"> <li><b>Sector wide approaches in Education and Health</b> have deteriorated. The institutional and technical capacities have progressively eroded over the past years, particularly at decentralised levels. A <b>sector wide approach in water and sanitation</b> has been preserved, thanks to a stronger sectoral leadership supported by some SBS programmes and a coordinated mix of other aid modalities. It could be a model to resuscitate dialogue in other sectors, although some specific features of the water sector (namely the predominance of capital intensive interventions) may have played a facilitating role.</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU.</b> Strengthen SWAps in the <b>social sectors</b> to help recover a path of quality improvement.</li> <li><b>Education</b> <ul style="list-style-type: none"> <li><b>GoU.</b> Strengthen sectoral policy implementation (SWAp) to reactivate sectoral dialogue and strengthen capacity.</li> <li><b>DPs.</b> SBS and/or Basket funds<sup>100</sup>, combined with capacity development support. Such modalities would allow to: i) re-launch in-depth sector policy dialogue by providing stronger incentives for sector participation and involvement, and ii) strengthen linkages between measures foreseen and complementary capacity building. They would also allow the possibility of protecting given levels / categories of sector / sub-sector expenditures through the inclusion of specific conditionalities.</li> </ul> </li> <li><b>Health</b> <ul style="list-style-type: none"> <li><b>GoU.</b> Strengthen sectoral policy coordination and implementation (SWAp) to overcome the sectoral fragmentation, reactivate sectoral dialogue and strengthen capacity.</li> <li><b>DPs.</b> SBS and/or Basket funds, combined with capacity development support (see remarks made under the education sector.)</li> </ul> </li> <li><b>Water and sanitation</b> (and environment) <ul style="list-style-type: none"> <li><b>GoU.</b> Continue the SWAp in the sector.</li> <li><b>DPs.</b> Mix of aid modalities as currently envisaged by the latest sector program.</li> </ul> </li> </ul>
13	<ul style="list-style-type: none"> <li>In the area of <b>Law &amp; Justice</b> the strong progress registered in the upstream side of the accountability chain (e.g. anti-corruption legal framework and governing legislation and OAG and IGG) has not been met by equal progress on the downstream side (e.g. enforcement of prosecution and recovery of funds).</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU. Strengthen training, capacity and incentives for law enforcement against petty and economic crime and corruption.</b> Require high government officials to lead by example by publicly and transparently and routinely disclosing assets and incomes and paying taxes on farm and non-salary incomes. Use the experience of countries that successfully made concerted improvements in the fight against corruption.</li> <li><b>DPs.</b> Sector programmes with a strong capacity development component, monitoring and results indicators.</li> </ul>

<sup>100</sup> Pooled funds or Basket funds refer to a form of aid where donor resources are pooled but kept separate from other (government) resources intended for the same purpose. The water and health sectors provide two different examples of the use of pooled funding in Uganda. Here, it is recommended that the modality with which pooled funds are used in the water sector be extended to the health and education sectors.

No.	Lessons from the past	Lessons for the future
14	<ul style="list-style-type: none"> <li>BS DPs have had a relatively ambiguous attitude toward the country challenges in <b>energy and infrastructure</b> that are affecting growth and social development as well. Despite the comprehensive nature of GBS and the specific sectoral involvement of the World Bank and the EU, such sectors have been only marginally addressed in the JBSF.</li> </ul>	<ul style="list-style-type: none"> <li><b>DPs. Recognize that there is a role for public infrastructure</b> in development and consider supporting it through highly selective, coordinated sector programmes investment strategies in energy and infrastructure, to sustain rapid growth and limit negative feedbacks on poverty and equity.</li> </ul>
15	<ul style="list-style-type: none"> <li><b>Policy implementation at the local levels</b> shows heavy capacity gaps and low levels of expenditure efficiency. The multiplication of the districts and the low level of financing create unsustainable pressures on the local capacities. BS has not addressed directly these issues, although the World Bank has implemented a specific programme at the beginning of the period.</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU. Put local implementation capacities on national policy priority agenda</b>, through increasing local financial resources, improving local PFM and strengthening local capacities and systems.</li> <li><b>DPs.</b> Consider improvements of local implementation as a key priority. Support local component of PFM at MoFPED level. Support programmes focused on local institutional strengthening and capacity development. Build on the experience of previous support.</li> </ul>
16	<ul style="list-style-type: none"> <li>Policy dialogue and support to <b>agricultural productivity and rural development</b> has been a major missed opportunity in support of growth, poverty reduction and reducing gender inequities.</li> </ul>	<ul style="list-style-type: none"> <li><b>GoU. Put agricultural productivity at the top of the policy agenda</b> and engage DPs in a reinvigorated sector dialogue with stepped up funding and capacity building.</li> <li><b>DPs.</b> Consider reviving agricultural policy dialogue using alternative support modalities and lessons from the sector dialogue in water and sanitation.</li> </ul>