

# KEEPING A DEVELOPMENT FOCUS: THE CHALLENGES IN ENSURING POLICY COHERENCE FOR DEVELOPMENT: A UGANDA'S PERSPECTIVE

By

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## A. The role of donor Countries /Development Partners in ensuring Policy coherence for development throughout their Policies:

i) ***Reducing complexity and transaction costs in the delivery of Overseas Development Assistance (ODA).*** At the moment, Development Partners deliver aid through too many channels and in very fragmented ways. Recipient Countries are faced with a complex task of having to deal with so many bilateral agreements in addition to the multi lateral arrangements – thereby facing very high transaction costs. In Uganda there are over 40 individual DPs, 30 of whom provide only 10% of the aid resources.

ii) ***Increasing flexibility and predictability of aid levels*** Over all Aid levels have increased over time, but remain unpredictable and highly volatile. Flexibility is important to recognise changes in priorities. For example, in the case of Uganda there has been so much emphasis on investments on poverty reduction through focussing on Human development (education, health, water and sanitation, social protection) at the expense of infrastructure (energy, rail and road transport, et.c)

iii) ***Respect for Country systems and Structures***

Decisions on aid levels are ultimately based on individual DP decisions and not on a joint commitment, despite advances made with respect to the provision of budget support in a joint framework. A considerable share of ODA (*including by some of the major DPs in terms of financial volume*) is provided outside the Government's budget (*"off-budget"*) and/or through modalities that do not make

use of government systems, but rather create parallel structures and are difficult to coordinate and evaluate.

iV) ***Ensuring more consistency and provision of longer-term commitments***

Within the Development Partner community, continuous and rapid staff turnover and often poor registry systems has resulted in little institutional memory about the basis of the partnership principles and their links to other commitments. It would add considerable value if donor countries and agencies provided more long-term and consistent commitments than the short-term kind of support that had been provided.

**B. Recent experience in strengthening the policy coherence agenda within the context of the slow recovery from the economic Crisis**

- In the past, there were many challenges with implementation of donor coordination agreements. The partnerships with DPs have not advanced as expected. The challenges of alignment with Government systems and processes and of harmony between DPs constitute impediments to aid efficiency and effectiveness, and to Government's ownership and leadership.
- As a follow up to the Uganda Joint Assistance Framework, Poverty Reduction Support Credit, Joint Government/DPs Consultative Governance meetings and the PEAP Partnership Principles, Government has negotiated with Development Partners and established a Joint Budget Support Framework (JBSF) and its assessment instrument, the Joint Assessment Framework (JAF) to which 10 Development Partners have subscribed. The results of this initiative over the past couple of years have been considerably impressive and donor coordination is improving as the JAF mechanisms become more and better integrated into the Government's own Government Performance and measurement system.
- With the aim of reducing the dependency on aid, there is need to consider the costs and benefits of maintaining aid relationships with a large number of DPs and in some cases, ask some DPs to provide assistance through joint financing

mechanisms only (e.g. budget support, pooled funding, delegated cooperation etc.) or through multilateral agencies. Therefore, there is need to address this challenge by requiring that all DPs provide reliable indicative commitments of aid disbursements (*both on- and off-budget*) over a multi-year framework as well as timely and accurate data on actual disbursements through a single platform for reporting of data on planned and actual disbursements of aid.

- In some instances developing country governments do not have sufficient capacity to take strong leadership role of their own development policies, and do not adequately engage with their structures such as parliaments and citizens in shaping those policies. In such a case, DPs have a duty to support them by respecting countries' priorities, investing in their human resources and institutions for capacity building, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.
- In Uganda in particular, Government has increasingly focused on enhancing better use of local and Development Partners resources. This has been done through several measures including:
  - i) Strengthening local accountability mechanisms especially the Auditor General Office (value for money audits), Inspectorate of Government, citizens accountability mechanisms, and laws and regulations for public financial management and accountability;
  - ii) Introduction of strict performance contracts in the Public Sector based on the use of annual and quarterly workplans and procurement plans and reports as justification for funds disbursements and of recent contract renewals for Accounting Officers;
  - iii) Government Performance Assessment incorporating JAF indicators has been strengthened;
  - iv) Mutual accountability with Development Partners to be enhanced by developing accountability mechanisms within the Joint Assessment Framework and the Government Performance Measurement systems.

- ***Development of a Partnership Policy***
  - i) In order to address the above challenges, Government of Uganda initiated the formulation of a Partnership Policy to guide partnerships between Uganda and its partners in the managing of aid and engaging with beyond aid issues. The decision for the Policy reflects concerns for predictability, management and accountability of international assistance to maximise its impact and reduce transaction costs on Government.
  - ii) The Policy goes a long way to translate the commitment in the Paris Declaration Principles and Accra Agenda for Action into practical actions on the ground and should provide building blocks for the assessment of progress in adherence to the principles.
  - iii) The Partnership Policy development process has been largely participatory and covered a critical analysis of the trends and practices before within the context of the international aid architecture. It also addresses the approaches Government is adopting for management its relationships with Development Partners, funding modalities and institutional arrangements for aid management and coordination.
  - iv) Special focus on critical “Beyond Aid” issues have been incorporated in the Partnership Policy with a discussion on how they influence or are influenced by the aid architecture. The challenges posed by cross-border issues that have wider impacts on developing countries are important as we make the shift from a donor-beneficiary model to an equal partnership model for development. In the Uganda’s case, the most significant beyond aid issues are; Trade, Technology, Climate change, Agriculture, Migration and Remittances, Regional Integration, cross border tax evasion, and so on. The objective is to have better coherence in policies of development partners in relation to these areas in order to better support Uganda’s development goals. The above beyond aid issues influence and are influenced by the aid architecture and the partnerships as follows:

**Trade:** Trade especially exports is a cross border area with significant impact on development. It is dependant on external market access. Issues could be tariff and non-tariff barriers which impact market access and trade performance.

**Technology:** Spans all sectors of the economy has high impact on productivity. There is a link between low technology use and Uganda's widening trade imbalance. Better engagement could improve access to technology.

**Climatic change:** Has the potential to destroy any progress on poverty reduction in recent years. Impacts are likely to be felt significantly in many areas such as food security, loss of infrastructure, increased incidence of diseases and vulnerability. Combating the effects of change is dependent on the cooperation of other countries.

**Agriculture:** Subsidies and other restrictions on agriculture imports in other countries have an impact on agriculture production and access to external markets. The issue is policy coherence among DPs around agriculture.

**Migration and Remittances:** Uganda loses skills (brain drain) but also benefits from remittances. The issues to work in cooperation with other countries to optimize the benefits from remittances more into investment rather than consumption.

**Regional integration:** Has the potential to improve trade, transport, finance, infrastructure and technology. The issue to engage the DPs to support the regional integration efforts and the impact on a national development.

Cross border Tax evasion: loss of revenue through tax evasion represents a major threat to Uganda's revenue efforts. The issue to engage the DPs to support effort to fight cross border tax evasion.

**C. Experience in ensuring a coherent use of Aid and other development financing as well as good practice in coordinating development and national policies for National Development Strategies**

- i) In Uganda, Government's guidelines for ODA management were set out in the "PEAP partnership Principles between the Government of Uganda and its Development Partners" in 2003. The initiative was built on a long line of home-grown solutions to improve aid effectiveness.
- ii) The principles predate 1997 when Uganda pursued the Poverty Eradication Strategy, but are highly consistent with the Paris Declaration Principles on Aid Effectiveness of 2005 and the Accra Agenda for Action of 2008.
- iii) The Government has strengthened the Government's national coordination mechanism, established by Cabinet in 2003, under the leadership of the Office of the Prime Minister, to consult with the LDPG on the implementation of Government strategies, review development partner assistance, and review efforts to improve aid effectiveness. National policy coordination is conducted through Governance Structures mandated by Cabinet with Policy and Technical Committees from the Cabinet level, cascading down the Administration Bureaucracy to lower technical officer levels. This policy coordination mechanism, though approved a couple of years back, has been re-engineered and reorganised to take lead in the coordinated of all Governments strategic policy issues including those related to aid effectiveness and efficiency.
- iv) We recognize the need for a single channel for relating between the Government and Development Partners. In this regard Uganda Government is considering how to relate on ODA primarily through the Local Development Partners' Group (LDPG). This would require all suppliers of ODA to Uganda, including non-traditional development partners, to join and actively participate in the Local Development Partners' Group and act under its umbrella.

- v) It is recognized that the provision and utilization of aid and other forms of assistance are increasingly contractual in nature. In order to deepen the principle of mutual accountability, aid partnership agreements must address commitments of all stakeholders – Government, DPs, Parliament and civil society organizations. This relationship is largely lacking in the Uganda's aid management system. Governments and DPs need to give consideration to operating mechanisms for mutual accountability that have proved successful in other countries, such as development partner performance assessment frameworks and independent monitoring by locally based panel of experts.

Office of the Prime Minister

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