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Sida Country Report 2003

# Uganda

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# 1. Summary

In 2003, following a decade of positive development trends, Uganda experienced stagnation and even reversal of some of the trends of the 1990s. Following the great improvements from 1992 and onwards, household survey figures indicated an increase in poverty 2002/03 to 38% (from 35% 200/01). In addition there was an increase in income distribution inequality, increased maternal and infant mortality and an increase in fertility rates to one of the highest in Africa. The GDP growth rate, though still impressive, at 4,9%, was below target and at its lowest since the early 1990's. The important coffee sector was badly hit by low world market prices, having a negative effect on the country's export earnings. There was evidence of a slight increase in the HIV prevalence rate, highlighting the importance of not accepting complacency when it comes to the spread of HIV/AIDS.

During 2003, the Ugandan government embarked on its second revision of the Poverty Eradication Action Plan, or the PEAP. This will provide an opportunity to address the above and other issues.

At the beginning of 2003, the president opened up the possibility of a multi-party system in Uganda, with a view to the elections in 2006. During the year, uncertainty did however develop as regards the democratisation process and the government's commitment to it. Concerns continued to be expressed regarding human rights and corruption.

The conflict in the North went into its 18th year and due to attacks by the LRA, the number of internally displaced persons increased to 1,4 million. The humanitarian plight in the North and efforts to contribute to the peaceful resolution of the conflict have been the focus of the donor community in its dialogue with the Ugandan government.

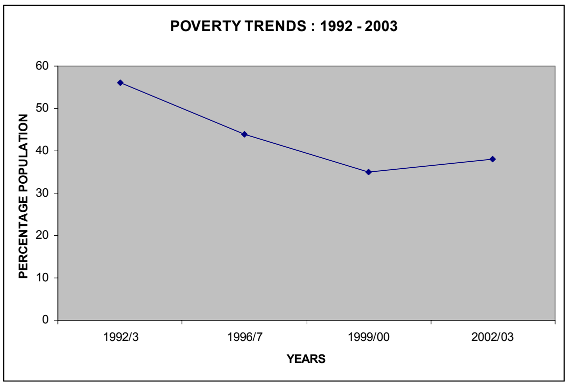
Harmonisation and co-ordination efforts were intensified, with the Ugandan government and with and amongst development partners. Improvements and rationalisation measures were proposed, and a majority of the donors signed Partnership Principles in agreement with the Ugandan government.

Swedish development co-operation continued in a number of sectors: Health, democracy and HR, private and financial sector development, agriculture, water and sanitation, rural electrification, research co-operation as well as budget support. In addition to ongoing co-operation, an agreement was signed to enter into a sector wide programme in the health sector, and a commitment was made to enter into co-operation in the justice law and order sector. Within the framework of the Lake Victoria initiative, a strategy for support to sustainable development in the Lake Victoria Region was drawn up.

# 2. Strategic Country Development Trends

## 2.1 Poverty Reduction: Overall Trends and Perspectives

– *Trends in the general poverty situation in the country*
According to the Uganda Bureau of Statistics, poverty in Uganda has generally been on a downward trend since the early nineties. The first comprehensive national household survey with a poverty component was carried out in 1992/3. The poverty line was defined as a dollar a day. At that time, the number of people living below that line was found to be 56% of the population. Since then, surveys have been carried out in 1995/6, and 1999/2000. The number of people below the poverty line has progressively declined, being enumerated as 44% and 35% of the population respectively at each of these counts. However, recent evidence from the 2002/3 household survey indicates an increase in poverty levels, to 38%.




This adverse trend has been attributed to a slowdown in economic growth, the main causes of which are

- *Increased inequality in the distribution of income*. This means that although the country has been registering economic growth, the beneficiaries of this growth have not been the poor.
- *Drastic decline in international commodity prices*. Coffee, Uganda's main export crop experienced a fall in prices from $2.05 a kilo in 1987/88 to $0.61 in 2002/03, a decrease of more than 90%.

– *Poverty profile and regional disparities*

Poverty in Uganda is regionally disparate, with the Northern and Eastern parts of the country being disadvantaged in comparison with the Central and Western regions. According to the 2002/3 survey results, poverty is highest in the conflict-stricken North, although it has worsened most in the East. According to a poverty profile done by the Government of Uganda, the poor in Uganda are mainly women, orphans, people with disabilities and the infirm. They also include male youths, owing to the unemployment problem, casual labourers and households that are made up of large families. If poverty in Uganda had a human face, it would be that of a woman, a child or a refugee.

A growing addition to this group has been the internally displaced people in Northern and parts of North-eastern Uganda, primarily as a result of the armed rebellion led by the Lord's Resistance Army that has persisted in the region for the last seventeen years. An estimated 1.4 million people are internally displaced, and living in camps under very poor humanitarian conditions. There is also the menace of cattle rustling that has prevailed in the Karamoja sub region of Northern Uganda. Until peace is restored to the whole region, the situation in Northern Uganda will continue to undermine the gains realised in other areas.

– *Development planning and poverty reduction, PRSP implementation status.*

The Poverty Eradication Action Plan (PEAP) is the overall national planning framework for poverty reduction. It was launched in 1997, and aims at reducing the number of people living in absolute poverty to 10% of the population by 2017.

The PEAP, which is revised every three years, is currently undergoing its second revision. The new PEAP has been restructured around five goals or pillars, moving away from the traditional four pillars, as shown below:

| **PEAP 2000** | **PEAP 2003** |
|---|---|
| 1) Economic Growth and Structural Transformation | 1) Economic Management |
| 2) Good Governance and Security | 2) Security, conflict resolution and disaster management |
| 3) Increasing incomes of the poor | 3) Governance |
| 4) Improving the quality of life of the poor | 4) Enhancing production, competitiveness and incomes |
| | 5) Human resource development |

Adopting the sector wide approach (SWAP) to planning and programme implementation, the government has developed sector specific programmes in line with each of these goals. The social sectors in particular, namely health, education and water, have well-developed sector plans with clearly articulated goals, targets and indicators. The Justice, Law and Order Sector (JLOS) which includes institutions that are key in ensuring good governance and spearheading the fight against corruption, has also recently developed its sectoral plan.

Apart from quantitative household surveys, information on poverty is also collected using qualitative methods, namely, participatory poverty assessments. These permit a deeper investigation into issues arising from information collected using quantitative methods. Based on this data, the government produces Poverty Status Reports (PSR) every two years which detail progress made in the fight against poverty. In the years in which they are produced, these reports double as Uganda's Poverty Reduction Strategy Paper (PRSP) Progress Report, an annual requirement by the World Bank for the disbursement of the Poverty Reduction Support Credit (PRSC). Uganda was the first country to qualify for the PRSC in 2001 because it already had an anti-poverty plan – the PEAP – in place. It was therefore not difficult to utilise the key components of the PEAP in formulating the Poverty Reduction Strategy Paper (PRSP), which was the main prerequisite for obtaining the PRSC. The Bank approved the first PRSC for Uganda in May 2001. Since then, Uganda has received US $ 450 million as budget support under the PRSC, disbursed as annual tranches of US $ 150 million each. The latest tranche (2003) was disbursed as a grant.

– *Development in the implementation of the MDGs.*

There exist significant commonalities between the PEAP targets and the Millennium Development Goals. Both have broad national goals for poverty eradication, education, gender equality, basic health, environmental sustainability and partnership principles. The synergies arising from these similarities go a long way in ensuring mutual reinforcement and strengthening existing linkages between the two processes in the following ways:

1) MDG targets can be used to enrich the existing list of poverty monitoring indicators, particularly in relation to HIV/AIDS, malaria and tuberculosis.
2) The MDGs are useful for international comparisons, so that Uganda can measure its own performance against that of similar countries using the same yardstick

The table below shows Uganda's status with regard to achieving the first seven MDGS, by evaluating progress made against meeting certain targets under each goal[1].

[1] Not all the MDG goals and targets have been included in this table. Certain key ones were picked out so as to give a general picture of the development situation.

**Uganda's Progress towards attaining the MDGs.**

| Goal/target | Will the goal/target be met? | | | |
|---|---|---|---|---|
| 1 Poverty eradication – Halve the proportion of people living below the poverty line by 2015 | **Probably** | Potentially | Unlikely | No data |
| 2 Universal Primary Education (UPE) – Achieve UPE by 2015 | **Probably** | Potentially | Unlikely | No data |
| 3 Promote gender equality and empower women – Achieve equal access for boys and girls to primary and secondary schooling by 2005 | Probably | **Potentially** | Unlikely | No data |
| 4 Reducing child mortality – Reduce under 5 mortality by two thirds by 2015 | Probably | Potentially | **Unlikely** | No data |
| 5 Improving maternal health – Reduce maternal mortality by three quarters by 2015 | Probably | Potentially | **Unlikely** | No data |
| 6 Combating malaria, HIV/AIDS and other diseases – Halt and reverse the spread of HIV/AIDS by 2015 | **This target has already been met** | | | |
| – Halt and reverse the incidence of malaria and other major diseases by 2015 | Probably | **Potentially** | Unlikely | No data |
| 7 Ensuring environmental sustainability – Halve by 2015 the proportion of people without sustainable access to safe drinking water | **Probably** | Potentially | Unlikely | No data |

Source: Adapted from UNDP Uganda MDG Country Status Report 2003

– *HIV/AIDS Situation*

HIV/AIDS was first identified in Uganda in 1982. UNAIDS estimates that by 1999, about 1.9 million Ugandans had lived with the virus since the onset of the disease. Today, AIDS is the leading cause of death among individuals aged 15 to 49.

The government has been open and committed in its fight against AIDS, adopting a multi-sectoral approach since AIDS has been considered to be a crosscutting issue. Civil society has also played a key role in providing support and counselling services to infected people and their families, and influencing the national policy in the Uganda HIV/AIDS Partnership, under the aegis of the Uganda AIDS Commission. This concerted national effort resulted in a substantial decline in the national HIV prevalence rate, from 20% in 1991 to 6.5% in 2001, and made Uganda a model example internationally in combating AIDS. Consequently, Uganda is ahead of the international target for the MDG on HIV/AIDS. Whereas it aims at halting and beginning to reverse the spread of HIV/AIDS by 2015, Uganda met this target in 1996, almost twenty years ahead of schedule.

However, it is important that complacency does not cause a reversal in this downward trend. Recent evidence reveals that the prevalence rate has increased from 6.1% in 2000 to 6.5% in 2001. Although awareness of HIV/AIDS is widespread, knowledge of ways of avoiding the virus is not as widely spread. According to the 2000 Uganda Demographic and Health Survey 13.4% of Ugandans did not know any programmatically important way to avoid HIV/AIDS. It is therefore crucial that the government's and civil society's ongoing information, education and communication campaigns continue raising public awareness of the existing risk and ways of prevention.

Culture and tradition perpetuate the reluctance of implementation of certain preventive measures, for example the use of condoms. Although this is a well-known means of avoiding AIDS, only 7% of women and 15% of men use condoms. In spite of these cultural and traditional constraints, there is need for continued distribution of condoms throughout the country. Ensuring access to counselling and testing services and the continued Prevention of Mother to Child Transmission (PMTCT) campaign must also be sustained.

Other challenges include the growing number of orphans, already estimated at 2 million (UNAIDS 2002), who are in urgent need of housing, food and education, as well as psychosocial support and family norms and values. Also, it is estimated that only about 10% of those who are in need of anti retroviral medication have access to these drugs. It is important that the administration of the current inflow of funds from various international sources is co-ordinated so as to realise maximum gains from their efficient and effective use.

– *National Budget: policies and priorities*

The government's budgeting process has also evolved over time to reflect its development priorities. The formulation of the PEAP has resulted in a shift in budget allocations from low to high priority areas focusing on poverty eradication. Spending priorities are articulated under each of the goals of the PEAP. A key budgeting tool in this regard is the Medium Term Expenditure Framework (MTEF), a three-year rolling budget plan that provides an overall spending framework for the medium term, and facilitates the annual budget process by providing annual limits on spending within a three year framework. The government is also in the process of developing a Long Term Expenditure Framework (LTEF), which will be used to guide strategic long term expenditure decisions, and also serve as a basis for developing long term sector spending plans that are consistent with the available resources.

In 1998 a special fund known as the Poverty Action Fund (PAF) was set up to protect poverty spending from in-year budget cuts. Its initial source of funds was monies saved through the HIPC debt initiative. This was followed by substantial bilateral budget support. The usefulness of the PAF as a safeguard of expenditure targeting poverty is however being debated, along with the negative budgetary that it has had on sectors outside the PAF.

The issuing of supplementary expenditure continues to impact negatively on budget execution and discipline. In 2002/3, supplementaries equivalent to 3.44% of the approved budget were issued. This was above the 3% supplementary ceiling set by the Budget Act 2001. The main recipients of supplementary expenditure continue to be

1) *Public Administration (PA) Sector:* The Public Administration sector in particular continues to overspend its vote and cause diversions from other areas of the budget. The main causes of this are certain votes within the sector, among them the President's Office and State House. Efforts have been made to reduce the spending size of this sector by reducing the number of people employed by the President's office, namely Resident District Commissioners (RDCs) and Assistant RDCs. This has, however, not had any significant effect so far.
2) *Security Sector:* 2002/3 saw a major cut in grant aid, mainly budget support, from three bilateral donors (UK, DfID and Ireland) as a result of an unprecedented increase in defence expenditure that was met by implementing 23% budget cuts in non – PAF areas.

It is hoped that the passing of the Public Finance and Accountability Act will curtail supplementaries, since it stipulates Parliamentary approval of all supplementary expenditure. However, more needs to be done to enforce budget discipline in these sectors if overall budget performance is to improve.

## 2.2 Macro-economic Development

The 1997 PEAP set a number of macroeconomic targets, including GDP growth of 7% p.a., maintaining inflation at 5% or less, prudent debt management and increased efficiency in the allocation of resources, since then, considerable progress has been made towards achieving these targets. Real GDP (at market prices) grew at an average rate of 7.1% per annum between 1992 and the end of the decade. However, the rate of growth was slightly slower in the second half of the decade, averaging 5.8% per annum. In 2003, the GDP growth rate was 4.9%. The government is therefore faced with the challenge of identifying additional reforms that can build on the success of the 1990s and return the economy to a growth path of 7% per annum, the rate considered necessary to enable Government to meet its poverty eradication objectives over the longer term. The private sector has been identified as the engine of economic growth, and a number of key policies have been instituted to ensure that an enabling environment for the growth and development of the private sector is created. However, implementation of these policies has been slow. Members of the private sector feel that the macroeconomic environment is still not conducive to their development. In addition, there exist institutional and infrastructural constraints, as well as issues related to governance and decentralisation.

– *Status of economic and fiscal reforms, and the public financial system as discussed during key events in 2003.*

*1. Consultative Group (CG) Meeting*

The 4th Consultative Group (CG) meeting for Uganda between the government and her development partners was held in Kampala from the 14th to the 16th of May 2003. The World Bank and the government of Uganda jointly chaired the meeting. There were four major areas of discussion, namely, poverty, governance, corruption and the conflict in Northern Uganda.

Uganda's second Participatory Poverty Assessment National Report (UPPAP2) was presented at the meeting. Conclusions from the report were that, during the last ten years, considerable progress had been made in terms of income levels of the poor, universal primary education, reducing the incidence of HIV/AIDS and access to clean water. Great challenges remain, however, to reduce infant- and maternal mortality, fight malaria, increase the number of girls attending secondary school, improve the quality of primary and secondary education, as well as to improve the local supply of goods. UPPAP2 will serve as an import input for the revision of the PEAP.

*2. Public Expenditure Review (PER) Meeting*

The annual review of the public expenditure process took place on the 19th and 20th of May 2003. During this meeting, key issues relating to public expenditure were discussed. Key points to note included the following:

1) *Macroeconomic considerations:* It was important that budget execution remains in line with macro objectives. In this regard, increased government spending should not crowd out the private sector, thereby undermining the long-term sustainability of the economy. It was therefore important that expenditure priorities remain within the MTEF so as to maintain fiscal discipline. Furthermore, in order to balance control of the fiscal deficit, domestic revenue mobilisation needed to be strengthened.
2) *Budget expenditure allocation:* It was emphasised that no sector was fully funded, and all sectors needed to prioritise their spending in order to meet their objectives. Focus needed to be maintained on the efficient and effective use of the limited funds available. The main targets of government expenditure remained the delivery of social services, improvements in infrastructure, and the development of strategic exports.
3) *Strengthening financial management:* A number of developments, namely, the passing of the Public Finance and Accountability Act, and the piloting of the new Integrated Financial Management System (IFMS) in a number of ministries and local governments, were expected to contribute greatly to the strengthening of current systems of financial management. Government had also embarked on a recruitment and training drive for accountants in order to strengthen accounting and auditing skills within the government.

– *Fiscal decentralisation:* In June 2002, the Cabinet approved the Fiscal Decentralisation Strategy (FDS) as a means of streamlining the transfer of funds from the central to the local governments, while simultaneously enhancing the autonomy of local governments in planning and decision making. Under this model, local governments are allowed to move resources between sectors to reflect local priorities within the overall PEAP framework. Beginning 2003/4, the FDS was piloted in 15 local governments. By 2005/6, it is hoped that the FDS will be operational at all levels of local government nation-wide.

4) *Pay reform and payroll issues:* Pay reform is being hampered by other demands on resources, linked to the high levels of recruitment needed to

implement major initiatives e.g. primary education, and the difficulties in controlling public administration, defence spending and pension liabilities. The Pay Reform Strategy (PRS), aimed at enabling government to hire and retain experienced professionals, was approved by Cabinet in March 2002. However, there is need to integrate the PRS into the wider Public Sector Reform Strategy (PSRS).

## 2.3 Political Development, Good Governance and Human Rights

When the National Resistance Movement (NRM) led by Y K Museveni seized power in 1986, Uganda was a country in chaos. Since then a promising political, economic and social rehabilitation has taken place. The human rights situation is far from satisfactory but has improved over the last 10 years. The democratisation process, which moved in the right direction with general elections 2001, took a further positive turn in January 2003 when Museveni opened up for the possibility to have the coming 2006 elections under a multi-party system. Media are comparatively free and the political debate on the whole open and lively. However, the movement system and the opposition's refusal to have their parties registered under the new Political Parties and Organisations Bill, limit the parties' possibilities to participate fully in the political debate and to reach out to the population as a whole.

The democratisation process and the introduction of a multi-party system before the elections 2006 is at present a most sensitive political issue. The debate was heated up in February and March 2003 when NRM's National Executive Committee and the National Conference declared themselves positive to the idea and forwarded their recommendation to the Constitutional Review Commission (CRC), appointed in February 2001. The CRC has had problems to fulfil its mandate but handed over its report to Government in December 2003. The report is expected to be published March 2004 but most of the content has been conveyed to the public through leaks in the press. Another sensitive issue also to be included in CRC's report is the possibility of a third term for the President (the present constitution limits the president to serve a maximum of two 5-year terms). The proposal of a third term has met criticism, not only from the political opposition, but also from influential NRM-supporters. The CRC commission, which is said not to express a specific view on the subject, proposes that this question be referred to a referendum. The Government and the opposition have initiated a dialogue regarding the future political process in the country. This process will be long and difficult and may result in increased tension in Ugandan society, particularly if the differences between the political parties are too great. Sensitive and important issues include the appropriate way forward, the suitable timetable for changes and the degree to which the process of changing the constitution takes place in an open, transparent and inclusive democratic process.

The major domestic threat to security arises from the Lord's Resistance Army (LRA) activities in Northern Uganda. The permission by the Sudanese Government in February 2002 to allow the Ugandan army, UPDF, to fight LRA bases inside Sudan, and the launch in March 2002 of the UPDF "Operation Iron Fist" to military defeat LRA, have not yet produced the expected results. The LRA has intensified its brutal insurgency targeting civilians with scores of abductions, killings, looting and ambushes. The situation has lead to a humanitarian crisis in the three districts in the north, with 1,4 million people currently being displaced and living in camps. Several peace initiatives, some initiated by traditional and religious leaders in the north, and the appointment by President Museveni of a Government peace negotiating team, have so far failed to produce peace talks between the parties. LRA has not produced any political program and has not shown any will to negotiate. By the end of 2003 the Government and the army claimed considerable military progress in their fight against LRA.

In order to supplement the UDPF efforts, militia groups (Arrow Boys of Teso sub-region and Amuka of Lango sub-region) have been recruited among the civil population in the north. Worries are expressed that these militia groups may themselves become a threat to stability, serving as the seeds of war-lordism commonly seen in neighbouring countries.

Even if the activities of the LRA were brought to a halt, the situation in the North will be fragile and complex and will require attention for a long time to come. Some key factors and issues to be addressed would be: overcoming the prevailing antagonism in society and the establishment of confidence in central authorities among the population; reconciliation between different ethnic groups in the country; the dismantling of Internally Displaced Persons' (IDP) camps and the resettlement of the IDPs in their home areas; and finally the urgent launching of a large number of development programmes and projects for the northern region.

Regarding the Ugandan military involvement in the DRC, the situation has changed for the better. On 6 September 2002, Uganda and DRC signed the so-called Luanda Agreement on withdrawal of the Ugandan troops from the DRC, which includes co-operation and normalisation of the relations between the two countries. The withdrawal took place in May 2003. The conflict in the DRC, and both Rwanda's and Uganda's military involvement there, led to strained relations between Uganda and Rwanda. The relations between the two countries have improved considerably since, partly through mediation efforts made by the UK Government.

The democratisation process, the military involvement in the DRC and the situation in the north including the relations with Sudan, will remain high on the political agenda for the time to come.

Corruption is acknowledged to be a major problem in Uganda. It can almost be regarded as part of the political and economic culture of the country grown out of the turbulent situation prevailing in Uganda during the first 25 years after independence. Much of the laws, the regulatory framework and the institutions to fight corruption are already in place but many of these institutions are poorly equipped, lack the necessary skill and competence, have small economic means at their disposal and have staff that is susceptible to bribes. Great efforts are being made to fight corruption, even though the true political will to fight and uproot corruption – in particular major corruption – sometimes is being questioned. A number of commendable commissions of inquiry into various corruption scandals have been initiated, although the work to finalise and legally follow up the results still remains to be done.

The overall human rights situation showed little improvement during 2003. One positive development is the discontinuation of the Operation Wembley in February 2003. Operation Wembley was a task force consisting of army soldiers, which was established to control a wave of armed robberies during 2002 in and around Kampala. Operation Wembley operated under a "shoot to kill" policy, which resulted in 33 people being killed on mere suspicion of being robbers.

As a response to the CRC's report described above, the Cabinet recommended the scrapping of the Uganda Human Rights Commission (UHRC) and that its functions should be transferred to the Inspector General of Government (IGG). The group of donors has opposed the recommendation. The recognition of the UHRC's track record and its symbolic value will most probably safeguard its continuation in its present form.

## 2.4 Development Co-operation and Partnership

Total development co-operation with Uganda is estimated at MUSD 600–800 on a yearly basis. In the financial year of 2002/03, development co-operation made up 48% of the government's budget. This of course implies that Uganda is heavily dependent on development co-operation. Amongst multilateral development partners, which include the World Bank, the IMF, the UNDP and the EU, the World Bank is the largest with a PRSC (Poverty Reduction Strategy Credit) amounting to MUSD 150 per year. The EU's contribution amounted to approx. MEURO 50 in 2002/03. Amongst bilateral donors, The UK is the most important contributor (£ 55 million 2002/03). Other important development partners are the Netherlands, the USA, Ireland, Denmark, Norway, Germany and Japan.

Following and alongside the World Bank's decision to support Uganda through a PRSC, decisions to provide *budget support* have also been made by the EU, the UK, the Netherlands, Ireland, Norway and Sweden. Several partners are also increasing their focus on sector wide approaches and moving away from project support.

A number of partners, including Sweden, channel their budget support through the *Poverty Alleviation Fund*, which was created in 1998. The objective of the fund is to ensure that support channelled through it is allocated to social sectors and areas given priority from a poverty reduction point of view. The PAF should thus function as a guarantee that donor funds are used only for poverty reduction programmes and measures. A debate has however been initiated, in which some will argue that the PAF no longer can meet the objective that it was set up for, and that it has an adverse effect on sectors that may be of high priority but are not included in the PAF. This has lead a few donors to consider moving away from budget support through the PAF to general budget support.

The re-orientation in the direction of budget and sector programme support has necessitated the introduction of greater *harmonisation and co-ordination* amongst development partners as well as a different mode of co-ordinating and co-operating with the Ugandan government. Donor co-ordination and harmonisation groups have been established at various levels as well as for different sectors and issues. Many groups still only include donors, and alternating donors take on the lead role of those groups a year at a time. A few groups are lead by representatives of Ugandan government ministries. Discussions were initiated to rationalise the co-ordination structure with a large number of groups. Towards the end of 2003, partnership principles for the co-operation between Uganda and its development partners were agreed upon.

In terms of *major events*, a Consultative Group meeting was organised in Kampala in May 2003, as outlined in section 2.2 above. The second revision of Uganda's Poverty Eradication Action Plan was embarked upon, and the World Bank carried out its missions for the third PRSC to Uganda, offering opportunity for donors to participate in various co-ordination meetings.

*Key issues* in the dialogue between Uganda and development partners were:

- the democratisation process and the road towards political rights and a multi-party system
- the respect for human rights and the legal and institutional framework supporting those rights
- the fight against corruption
- the worsening conflict in the North, efforts to find a peaceful solution to the conflict and the need to step humanitarian assistance

# 3. Swedish Development Co-operation

## 3.1 Strategic Assessment and Considerations

According to the present country strategy for the Swedish development programme with Uganda (2001–2005), the overall objectives are: to combat poverty and contribute to a sustainable economic and social development according to the Ugandan government's "Poverty Eradication Action Plan" (PEAP); to support democratic processes in the country; to support improvement of the human rights situation and the rights of the child; and finally to promote the equality between men and women.
The main areas of co-operation are:

- Budget support to economic reforms and poverty alleviation according to the PEAP
- Health
- Democracy and human rights
- Private sector and the financial sector
- Agriculture and land management
- Water and sanitation
- Energy
- Research co-operation
- Humanitarian support to the northern parts of Uganda

Both in 2002 and 2003 assessments of the development in Uganda and progress in our development programme were made the latter as the basis for an extension of the co-operation agreement between Sweden and Uganda for 2004–2005. The Swedish decision to extend the agreement with Uganda (signed in February 2004) was made against the background of several factors. They include Uganda's development policy; its decreased involvement in conflicts in the region (particularly DRC), the efforts to seek a peaceful solution to the problems in northern Uganda as well as positive steps to speed up the democratic processes in the country. The overall assessment was that the present country strategy for the long-term direction of our co-operation programme remains valid and that a modest increase of the volume is possible. The content and volume of Swedish co-operation with Uganda for the coming years will be guided by a number of developments. One is the conflict in the north. The democratization process and the human rights situation in the country is another and the success of the poverty eradication programme, the fight against corruption and the HIV/AIDS situation are also important. These central and strategic issues will also be the focus of our dialogue with Uganda.

## 3.2 Follow-up of Country Programme Performance

*Health Sector programme Support*

An agreement on continued health sector support was signed in October 2003. The total amount agreed is SEK 420 million for the four-year period 2003/04–2006/07. Out of this amount SEK 320 million is allocated to health sector programme support.

Since 2001 the lion's share of the support from different donors to the health sector in Uganda is co-ordinated through a Sector Wide Approach. The results in terms of national ownership of the reforms and development in the sector are, so far, very encouraging. The co-ordinated support has made the inflow of funds from donors more predictable, which allows for better planning by both central level ministries and district local governments.

A mid-term review of the current Health Sector Strategic Plan (2000/01–2004/05), HSSP was finalised in April 2003. The report concludes that the main achievements are improved policy environment implementation provided by the plan along with the consequent boosting of the health resource envelope. These achievements have contributed to an improved supply of drugs to lower level health units, which in turn have reported a substantial increase in out-patience attendance.

The main constraints relate to the mismatch of the aspirations of the HSSP and available resources in terms of funding and shortage of trained health personnel. The persistently high infant and maternal mortality in Uganda remains a challenge, not only for the health sector.

Youths' access to information and counselling on HIV/AIDS is the focus of support outside the health sector programme. Continued support from Sida for a coming four-year period was agreed with The Aids Support Organisation (TASO), Straight Talk Foundation and Naguru Teenage Information and Health Centre, respectively.

*Democracy and Human Rights*

The democratisation process in Uganda has shown some progress in 2003, an example being the initiation of a debate on a future multi-party system. The overall development as concerns human rights is still very much hampered by the atrocities carried out in Northern Uganda by the Lord's Resistance Army. The war also severely affects the social and economic development in the region.

Support to activities promoting the democratisation process and the respect for human rights are central in Swedish development Cupertino with Uganda. During 2003 Sida supported twelve projects, involving a broad spectrum of both governmental and non-governmental organisations. Among these organisations is the Uganda Human Rights Commission, UHRC, which holds the reputation of being one of the most prominent institutions of its kind in sub-Saharan Africa. Torture by law enforcement agents, such as the police, the army and prison staff was highlighted by the UHRC in public seminars and in the annual report submitted to Parliament. The use of torture persists in spite of the interventions by the UHRC and other organisations to sensitise and train the law enforcement agencies in human rights.

A decision was made to provide Swedish support to the legal sector through the Justice, Law and Order Sector Programme. Through this mechanism, reforms in legal services, improved administration of justice, legal education and laws relating to commercial justice will be addressed.

*Private Sector Development*

Sweden takes part in the overall PSD-donor co-ordination group as well as the sub-group that especially deals with Business Development Services, BDS. The FIT/Sema project run by ILO and supported by Sida is a BDS-project and started late in the year. The project is the first bilateral PSD-project for Sida in Uganda and one that has an innovative approach using radio as a channel to reach SME:s all over the country, in several local languages.

Sida is also a long-time financier of the regional EPOPA programme that promotes organic exports from Africa. The project works with 30 000 farmers in Uganda, also in some of the war-affected areas of the country. A certification body for organic products, UgoCert, has been established during the year with support from the EPOPA programme.

The Embassy has received a number of proposals from several different stakeholders regarding private sector development. Fruitful discussions have been held with the Uganda Beef Producers Association and Enterprise Uganda. It is anticipated that Sida will support projects implemented by these bodies starting 2004. Another private sector association that the Embassy has discussed possible partnership with is the Uganda Chambers of Commerce and Industry, UNCCI. Sweden will accent the harmonisation work with other donors during 2004 with the objective of being a partner in a larger PSD programme designed by Ugandan stakeholders. In the future, more attention will also be paid to issues related to trade policies.

Preparations have been made for the regional programme Gateway East Africa, run by the International Council of Swedish Industry, NIR, in co-operation with national partners. A business seminar in Kampala is planned for 2004.

*Financial Sector Support*

The Financial Systems Development (FSD) Programme between Bank of Uganda/Sida and GTZ has made progress according to plans. It was decided to alter the financing arrangement between Sida and GTZ to become a joint financing mechanism. It was also decided that the Embassy from January 1st 2004 would retain the overall responsibility for the programme that has, from the inception, been handled by INEC. A programme progress review is planned for mid 2004.

*Agriculture*

In 2002 it was decided that Uganda Land Management Project, ULAMP, supported by Sweden since 1999, should be merged with the newly established extension organisation National Agricultural Advisory Services, NAADS, during 2002/03. The merging period was in 2003 extended to also include the year 2004. The additional funds for this extended period, 2,5 MSEK, was decided to be channelled directly to NAADS.

NAADS is one of the key components of the comprehensive Plan for Modernisation of Agriculture, PMA. The main aim of NAADS's programmes is to develop a demand driven and farmer led agricultural service delivery system particularly targeting the poor and the women. It is envisaged that experiences gained from ULAMP will have constructive influence on the development of NAADS and its programmes.

Sida initiated a comprehensive study of the Ugandan agriculture sector in 2002. The terms of reference for the second phase of the study are being developed in close co-operation with the PMA secretariat and it is foreseen that the study will be completed by mid 2004. The aim of the study is to form the background for a possible decision on continued medium to long term Swedish support to the sector. It is envisaged that a Ugandan proposal on Swedish support will be developed building on the results of the study.

*Water and Sanitation*

Swedish support to the rural water and sanitation (WS) sector was initially channelled through UNICEF. In 1999/2000 it was agreed that the support should be transformed into direct bilateral co-operation. Preparations for this new arrangement were done during a transition period 2001–2002. During this period a new five year operational plan 2003–2007 for the Ugandan WS-sector was developed, which led to that the Ugandan proposal to Sweden was directly related to the five year national WS-Sector Development Plan.

A final report on the Transition Period was presented in June 2003. The report did not, however, contain a certified financial statement for the period as stipulated in the Specific Agreement. The embassy has procured consultancy services for a financial audit of the Transition Period. The report from this audit will be presented in March 2004.

Based on the above proposal on Swedish support, Sida decided on bilateral support to the WS-sector in January 2003 for the five years 2003–2007. The support of 250 MSEK covers two main components:

- Earmarked sector budget support for water and sanitation facilities (105 MSEK);
- Institutional development and capacity building (125 MSEK).

The support to the second component is channelled through a so-called Partnership Fund, to which also DANIDA and DfID contribute. A special Programme Management Committee chaired by the Ministry of Water, Lands and Environment/Directorate of Water Development with Denmark as co-chair manages the Partnership Fund. The Partnership Fund is open for more partners to the DWD.

The Water Sector Working Group, which was established in December 2002, has held five meetings in 2003. It is being chaired by the Permanent Secretary with Sweden as co-chair in the capacity of lead donor 2003. The Working Group is still new and has yet some ground to cover to become an efficient and effective support to the management of the programme.

The Annual Joint WS-Sector Review was held in Kampala in September 2003. The aim in reducing the number of undertakings in the final document as compared to the Review in 2002 was reached: from 146 to 9. The Ministry of Water, Lands and Environment and Sweden decided upon the results and suggestions raised during the deliberations at a special session with the Working Group before the signing of the Agreed Minutes from the Review on behalf of the partners to the DWD.

The donor co-ordination group chaired by Sweden has during the year held bi-monthly meetings. Sweden has accepted to continue as lead donor and chair of the donor co-ordination group also in 2004.

*Energy*

As part of the Energy for Rural Transformation (ERT) programme that is supported by the World Bank, Sida has been requested to finance technical assistance to the Rural Electrification Agency, REA. During the latter part of 2003 the documentation was finalised and Sida has taken a decision to support the REA with Technical Assistance to the amount of MSEK 10.

The Sida supported Rural Electrification phase 1 in Kabale District is making progress, although it has been somewhat delayed due to unfortunate circumstances. The Rural Electrification phase I is a grid extension project that will supply electricity to approx. 2000 people, small businesses, schools and health clinics.

The phase II of the Rural Electrification programme is likewise a grid extension programme bringing electricity to four rural areas. The project document has been produced and the final assessment of the project will be completed during the first half of 2004. One of the projects in phase II is located in a war-torn area in the Kitgum district and can due to the insurgencies only be implemented when the area is deemed secure for contracted staff.

The discussions on possible support for the upgrading of the Transmission Line stretching from Mbarara to Nkenda are ongoing and Sida is assessing the potentiality of supporting the project with a credit.

The donors in the Energy Sector have discussed the formation of a donor co-ordination group and Norway has accepted to take the role as a lead donor starting in 2004.

*Research Co-operation*

The overall objective of the research co-operation relates to Uganda's ambition to strengthen and develop the capacity for research and research training. The research theme is "Lake Victoria and other water sources" and is focused at four faculties and the co-ordinating office at the school of postgraduate studies. This co-operation which is directed at Makerere University, aims at establishing linkage between Senior Research Scientists at Makerere University and Swedish Universities and supporting "supervisors to supervise". Institutional development is furthermore focused on the enhancement of Makerere Research environment and to this end funds are provided for cross cutting courses for PhD students, establishment of functioning laboratory structures for biomedical sciences and Geographic Information Systems (GIS). Support is also provided to research administration and Information Communication & Technology (ICT) and bibliographic support.

The specific research at the faculties all focus on issues very pertinent for Uganda's Poverty Eradication Action Plan (PEAP): The Faculty of Agriculture research focuses on a growing urban problem of "Utilisation of Urban Market Crop Waste in Crop/Livestock Production Systems in Lake Victoria Crescent Region". The Faculty of Medicine programme is "*Uganda's health related to Lake Victoria and other water resources*" and includes research on malaria, reproductive health and HIV/AIDS as well as non-communicable diseases. Faculty of Social Science "*Consolidating peace and development in the Lake Victoria Region and its environs: The national and local responses to transformation from turmoil to a more sustained development process*" The Faculty of Technology programme is on "*Sustainable technological development in the Lake Victoria Region (Uganda)*". In addition a programme aimed at substantial strengthening of local and regional collaborative research activities of Faculties of Engineering in east Africa (Uganda, Tanzania and Mozambique) is supported. A demographic surveillance site where research will be concentrated is being developed in the District of Iganga/Mayuga.

In 2003 the number of Phd Students involved in the programme was respectively 4 in Agriculture, 21 in Medicine, 3 in social sciences and 8 in Technology. The programme also provides research funds for 18 PhD students outside of this through the School of Postgraduate studies competitive University Funds.

In 2003 the first Licentiate degree was awarded at The Royal Swedish Technical Institute (KTH) for a thesis entitled "Characterisation of Ugandan raw materials for firebricks before and after sintering".
The PhD will be obtained at the Faculty of Technology in Makerere. The Faculty of Medicine and the Karolinska Institutet signed a historic agreement to have joint PhD degrees. Four crosscutting research courses have been developed and given this year in collaboration with Swedish research scientists. (Statistics & computer application in research, Advanced Research Methods, Philosophy of methods and advanced g-ender research methodology.

A close collaboration has been established with NORAD, and NORAD attended the Sida/Makerere annual review meeting and Sida also attended the NORAD annual review meeting. Makerere changed the co-ordinator of the programme at the end of 2003.

*Humanitarian support*

The country strategy for Swedish co-operation with Uganda makes room for support to the conflict-torn northern parts of the country, when and if the conflict subsides. As has been described above, the conflict has continued and the humanitarian situation deteriorated even further in 2003. Towards the end of the year, the number of internally displaced persons increased to 1,4 million people, and the Undersecretary General of the United Nations in November 2003 described the situation as one of the most difficult humanitarian crises in the world. As a consequence, it has not been possible to step up development co-operation as desired. Support has instead been limited to humanitarian aid. In 2002 The Humanitarian Unit at Sida allocated MSEK 16,5 to Oxfam for an improved livelihood programme of one year starting in February 2003. The originally planned activities have been delayed and Oxfam has requested Sida for an extended agreement period with no additional funds from Sida.

In 2003, Swedish support amounting to MSEK 43 was channeled through the UN Consolidated Appeal to WFP, UNICEF, OCHA and FAO for humanitarian interventions in northern Uganda. This amount includes 25 MSEK to WFP from the Swedish country frame to Uganda 2002.

## 3.3 Regional Co-operation Programmes of Relevance to Uganda

The Swedish Government has through Sida become a long-term partner with the Governments of Uganda, Kenya and Tanzania in an initiative to support sustainable development within the Lake Victoria region as outlined in the "Strategy for support to Sustainable Development in the Lake Victoria Region". The Lake Victoria initiative is implemented through various partnerships and channels. The *"Pilot Project for Promoting Ecological Sanitation in Kampala"* undertaken by the Department of Public Health of the Kampala City Council (KCC), is one of the projects developed under this initiative.

The Project aims to develop a sanitation system for the low-income population of peri-urban Kampala based on ecological sanitation principles. The Project is being implemented over a period of three years starting October 2002.

*Status and achievements*

During the preparatory phase, the Project structure, sections and activities were defined and are operational. Development of institutional capacities has taken place during this period. This was mainly through tailor made workshops, study tours and planning retreats. The staff themselves revised the Project Document as they felt that it was too complex for them to understand. Consequently 30-month plans were prepared

Generally the implementation of the Project has been slow. Although the Project should be halfway into the second phase, by December 2003 it was only 3 months into the second phase. The key reasons for the slow implementation have been stated as inadequate preparation and low project management capacity within KCC. Other reasons include the fact that most of the staff works on a part time basis and the slow internal administration in KCC.

The extended preparation time including revision of the Project Document has however been beneficial, as it has fostered ownership, which is crucial for the eventual sustainability of the Project's achievements. The key issues for dialogue include that of tax exemption for the project, which has not yet been resolved, and that of more involved in terms of time for the staff involvement in the Project.

*Other Programmes*

In Uganda other projects supported by the Lake Victoria initiative and co-ordinated by departments within Sida in Stockholm are:

- Support to regional environmental journalism through training, networking, and community outreach. The program is co-ordinated by Makerere University
- Collaboration between UBC and LVRLAC
- Urban environmental projects Kisumu, Kampala and Musoma (City development strategies)
- Agro forestry and improved farming methods through VI agro forestry which addresses food and nutritional security, fuel wood availability and income generation in 8 districts in the L Victoria region.
- *NELSAP* – IWRM studies in the water basins of 3 shared tributaries of L Victoria –1) Mara River, Kagera River and the Sio-Malaba-Malakisi water system. The studies to establish a sustainable framework for the joint management of the river basins were completed. Preparation for the implementation phase of the Projects will now start. The Nile Equatorial lakes – subsidiary action programme is part of NBI. The Nile Basin Initiative covers more countries than those do which are riparian countries of Lake Victoria, but where the geographical focus of the Swedish support is the Lake Victoria Basin.

## 3.4 Office and Administrative Issues

Over the past few years considerable changes have taken place at the Swedish Embassy in Kampala and in our development co-operation programme with Uganda. In the latter half of 2003 we were 7 sent-out employees at the Embassy: the ambassador, the economist/co-coordinator, the head of administration, one programme officer for water, agriculture and environment, one programme officer for the health sector and democracy/human rights issues, one programme officer for infrastructure (rural electrification), private sector and financial sector programmes as well as an administrative assistant sent out by the Ministry of Foreign Affairs in Stockholm. In addition, we had one locally employed economist, one national programme officer (NPO) for the Lake Victoria Programme and one assistant NPO besides other locally employed support staff.

During the year proposals were sent to Sida and the Ministry of Foreign Affairs in Stockholm to split the post for health and democracy/human rights in two, due to the heavy work load, and to add one post as officer for political reporting, information, trade promotion etc. Both proposals were approved, which will lead to the sent-out staff force at the Embassy being increased to nine persons during the second half of 2004.

During the year the work to improve the efficiency of the embassy continued. This included further development of administrative processes and routines, mainly in accordance with the plan of action relating to the Audit Memo (RRV). The Embassy put effort into developing internal control mechanisms in order to secure the administrative processes. The Embassy also initiated preparatory efforts to become fully delegated. For 2004 this will include entering into a contract with a local audit firm, establishing a local project committee, introducing a list of contributions with financial information and information on conditions in agreements, etc. These tasks will be carried out with reference to the Sida decision on “Strengthened quality assurance mechanism of Sida’s field operation”.

# Annex 1

## Country Report Uganda 2003

**Development Indicators**

| Indicator | Value |
|---|---|
| Population Size (2003) | 24.7 million |
| Population Growth Rate (2003) | 3.4% |
| Life expectancy at birth | 43 years |
| GDP Growth rate | 4.9% |
| GDP per capita | $320 |
| Debt | US $ 3.8 bn |
| Poverty headcount ratio | 38% |
| HIV/AIDS prevalence rate | 6.1% |
| Safe water access | 52% |
| Net primary school enrolment rate | 79% |
| Girl/boy primary school ratio | 96% |
| Under-five mortality ratio (per 1000) | 152 |
| Maternal mortality ratio (per 100,000) | 505 |
| Infant mortality ratio (per 1000) | 88 |
| Total fertility rate (births per woman) | 6.9 |

# Annex 2

**Partnership Principles between Government of Uganda and its Development Partners**

**September 2003**

**Ministry of Finance, Planning and Economic Development**

*Section One: General Principles*

1. The Poverty Eradication Action Plan (PEAP) identifies the development objectives for Government and its development partners. Effectively linking donor support with the PEAP is the main rationale for setting out these Partnership Principles. These principles apply to public assistance.
2. The delivery of financial assistance (aid) by development partners must be fully compatible with the national budget process and with Government ownership of the budget.
3. Government will ensure transparency in the budget process by remaining committed to including all stakeholders in its preparation and in monitoring budget execution. The budget process will work through dialogue with all stakeholders.
4. Development partners will participate in the process of formulating Government budgets. However, donor views on the budget should be expressed collectively at the appropriate fora in the budget process (budget workshops, sector meetings, Public Expenditure Reviews, etc). Individual donors should not attempt to influence budget allocations outside these fora or by using their own aid as a lever.
5. Major changes in the budget will only be taken after prior consultation with all partners, as predictability is the key for development partners when deciding on their preferred modalities of support to Uganda. Similarly, development partners will communicate promptly to the Government any significant changes in the level of their support to the budget.

6. The modalities of donor support are important because different aid modalities are not equally compatible with efficient budget planning and management and national ownership of the budget.
7. The Government's ranking of donor support modalities, in descending order of preference, is as follows:[1]
   1. General budget support
   2. Budget support earmarked to the Poverty Action Fund
   3. Sector budget support
   4. Project aid
8. Government's preferred modality is general budget support, because this provides the Government with the greatest flexibility with which to deliver public services efficiently and to implement the PEAP. General budget support is also fully compatible with the Government's budget and accounting procedures.
9. Government recognizes that some development partners do not provide general budget support. In such cases Government's preferred option is budget support to the Poverty Action Fund (PAF). Budget support to the PAF directly supports the PEAP through expenditures covered by the PAF. Government is committed to increasing PAF expenditures as a share of the overall discretionary GOU budget, and to protect PAF expenditures from cuts arising from resource shortfalls or supplementary expenditure demands from other sectors.
10. Sector budget support is acceptable to Government if it meets the following conditions:
    - i) Sector Wide Approaches (SWAps) and sector development plans are in place in the sector being supported, and;
    - ii) the support is mutually agreed upon by the line ministry, MFPED and the donor through the yearly consultative budget process.
11. Government cannot guarantee that sector budget support will increase the relevant sector's expenditure ceiling above what would have been otherwise provided in the Medium Term Expenditure Framework (MTEF). The level of any sector's expenditure ceiling cannot be determined by the amount of sector budget support promised to that sector. Government must control aggregate spending by the Government, and if one sector ceiling is increased owing to the receipt of sector budget support this will inevitably mean that cuts must be made to the spending ceilings of other sectors. This in turn can lead to a sectoral composition of expenditure which is not optimal from the Government's point of view, nor indeed from the point of view of the majority of donors.
12. Sector budget support is best provided "notionally", allowing the development partners influence through the Sector Working Group over issues pertinent to the sector, but the donor should not attach any

[1] In the case of the World Bank, general budget support, budget support earmarked to the PAF and sector budget support are referred to as balance of payments support.

"additionality" conditionalities, because this would violate the principles set out in paras 9 and 21.

13. Sector budget support should be provided straight into the Consolidated Fund thereby considerably simplifying budget execution, accounting and reporting procedures.

14. Project aid or technical assistance can provide benefits such as the transfer of skills and capacity development. Additionally it can be an important source of support to meet critical humanitarian needs. To maximise the benefits of this support, development partners will ensure that their support is integrated within the sector wide approaches where these exist and will work with the MFPED to ensure that their support is integrated into the MTEF.

*Section Three: Undertakings by Government of Uganda*

15. The Government recognizes that the development partners willingness to give budget support depends on their confidence in the transparency, predictability and efficiency of Government budget processes and in the public servants in charge of these processes. To this end, the Government will:
    - Consult with stakeholders annually on strategic allocations in the budget and implement the budget in a manner consistent with the agreed allocations.
    - Consult in advance with the donor partners on major envisaged changes to budget allocations during the financial year.
    - Ensure transparency and efficiency in public budgeting and spending with the aim of fulfilling PEAP and PRSC targets.
    - Improve the quality of financial management systems at both central and local government levels.
    - Strengthen the audit function by enhancing the role, capacity and independence of the Office of the Auditor General.
    - Improve procurement processes both at the central and local government levels to ensure better value for money.
    - Implement the public service reform, including pay reform which is consistent with improving delivery of public services.

16. Corruption presents a tax on the effectiveness of public services. Government will, therefore, aggressively fight corruption. To this end Government will:
    - Strengthen the key anti-corruption institutions such as the IGG and the Directorate of Ethics and Integrity.
    - Encourage the participation of civil society and the private sector in fighting corruption, especially by increasing public access to Government information.
    - Enhance the legal framework for fighting corruption.
    - Prosecute perpetuators and strengthen efforts to recover embezzled funds.

17. The Government is determined to reduce its dependence on donor aid over time. Accordingly, it is committed to increase domestic revenue mobilization through systematic enforcement of tax legislation,

improved tax administration and collection, new revenue measures as appropriate, and expenditure restraint.

18. The Government recognizes the importance of a strong civil society and private sector institutions. The Government will enhance the role of these institutions in policy making and monitoring and evaluation.

*Section Four: Reflecting Development Assistance in the Budget*

19. All development assistance to Central Government should be included in the budget estimates and MTEF.
20. Data on development assistance for each fiscal year should be provided to the Ministry of Finance by October of the preceding fiscal year. As far as is possible, development partners should provide three year rolling projections of all budget and project support.
21. Development partners should also assist the Ministry of Finance to compile accurate and timely budget outturn data by reporting to the Ministry of Finance the disbursements to each project that they are funding on a quarterly basis.
22. Sectors will have to budget within an overall ceiling set by the Government which will include all donor projects. This will be a hard budget ceiling, implying that an increased level of project support expenditures will have to be matched by lower GOU budget expenditures.

*Section Five: Global Funds*

23. Any financial assistance received from Global Funds will be utilised as sector budget support or project aid and integrated into the budget in line with the principles set out in sections one, two, four, and six.

*Section Six: Working More Effectively at the Sector Level*

24. Partners should seek to work in fewer sectors and focus their expertise in sectors where they have a comparative advantage.
25. The composition of the Sector Working Group (SWG) should include all relevant Government stakeholders, especially as service delivery becomes increasingly decentralised (e.g. Ministry of Local Government plus the relevant sector ministry). Other stakeholders (e.g. civil society and non-Government providers of services) should also be included. All donor partners, whatever the modality of their assistance, should also be represented (possibly as a silent partner) in a single SWG that focuses on policy, strategy, prioritising expenditures, monitoring and evaluation, and service delivery.
26. Development partners participating in the SWG should endeavor to communicate with Government through a 'lead donor' and with a common voice.
27. Government reporting mechanisms should be strengthened so that they can be adopted by development partners. As this is accomplished, development partners should seek to utilise the Government reporting systems and not demand separate reporting mechanisms for their own funds. All stakeholders should adopt a common set of outcome indicators for monitoring progress at the sector level.

28. Joint financing committees should only address administrative issues related to the basket. All resources provided by development partners must be reflected in the Government budget. Joint financing reviews, although necessary for accountability, should become a smaller component of a larger review.
29. Sector expenditure ceilings must be determined by the Government through the budget process, independently of any sector financing and in particular, independently of any "additional" sector funding made available or promised by development partners.
30. The SWG should identify, cost and rank sector spending priorities. Only the highest ranking spending priorities, which have been clearly identified in sector investment/expenditure plans, should be undertaken, either through the GOU budget or as donor funded projects. Development partners should not attempt to influence Line Ministries to undertake expenditures which have not been identified as priorities by the SWG, using their own sector support or project aid as a lever.
31. A calendar of key annual processes (Annex 1) should guide the work of sectors to ensure appropriate linkages to PER/MTEF, PEAP and the poverty monitoring and evaluation strategy (PMES).
32. Sector Working Groups will become fully engaged in Public Expenditure Review and budget work. They will establish mechanisms to link budget inputs to service delivery through the PER and Poverty Monitoring and Evaluation Strategy (PMES). The SWGs activities will also be linked to other processes which impact on service delivery, such as decentralisation and the Local Government Reform Programme.

*Section Seven: Joint Sector Reviews/Missions*

33. Joint missions are preferable to bilateral consultations. The timing and format of reviews must complement key processes such as the budget exercise, PER and PRSC Review, and will be open to all stakeholders.
34. A sector review should provide the single opportunity for all development partners to comprehensively review policy, strategy, performance and capacity needs.
35. A lead donor approach can reduce the transaction costs of both development partners and the Government.
36. Joint reviews must be open to all stakeholders. This should be reflected in the Terms of Reference for the joint review.
37. The outcomes of sector reviews should feed into the overall PRSC review.
38. The sharing of bilateral reports can preclude repetitive missions. Sector working groups and the annual review should establish a common agenda of analytical work.

*Section Eight: Consultative Group Meeting (CG)*

39. The CG should be linked to the PEAP and NEPAD processes. CGs will involve both formal and informal sessions.

40. The role of the formal CG is to review progress in major areas (e.g. PEAP and broader reforms) and to map a way forward.

41. Civil society should be invited to attend the formal session as observers.

42. The role of the informal CG is to discuss sectoral/thematic concerns and address all issues likely to be raised in formal session. The informal session will precede the formal session. The main civil society/private sector input is in the informal session.

**Calendar of Major Processes and Missions**

| | January | February | March | April | May | June | July | August | September | October | November | December |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budget/ MTEF** | Inter-ministerial meetings | | | MTEF Preparation | | Budget | | | | Budget Workshop and Guidelines | BFPs preparation | |
| **PER** | Background/Sector Studies | | | | PER Review | | | Consultation on scope of work | | 1. ToRs for background studies 2. External resource mobilisation for budget guidelines | Background /Sector Studies | |
| **PRS and Poverty Monitoring** | | | | | | | | PMAU Review | | | | |
| **PRSC** | Appraisal | | | | Mission | | | | | Pre-appraisal | | |
| **Consultative Group** | | | | | | | Agreement on themes | Preparation of background papers | | | | CG |
| **Joint Sector Reviews** | | | | Education, health and water joint reviews | | | | | Water Joint Reviews | Education & Health Joint Reviews | Public Sector Reform Joint Review | |

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