




Evaluation

*Comparative Review of Austrian
Development Cooperation's
Budget Support Operations*

Country Report Uganda



www.entwicklung.at

Austrian
 Development Cooperation



Imprint

Austrian Development Agency (ADA),
the operational unit of the Austrian Development Cooperation
Zelinkagasse 2, 1010 Vienna, Austria
Phone: +43 (0)1 90399-0
Fax: +43 (0)1 90399-1290
office@ada.gv.at
www.entwicklung.at

The evaluation was commissioned by the Directorate-General for Development Cooperation of the Federal Ministry for European and International Affairs and the Evaluation Unit of the Austrian Development Agency and conducted by



Ines Rothmann
Wilson Baryabanoha

September 2010

This is an independent evaluation report. Views and conclusions expressed do not necessarily represent those of the contractors.

Table of contents

Table of acronyms	2
1 Introduction	3
2 ADC Country Programme	4
3 The (sector) budget support programme	5
3.1 JLOS	5
3.2 Decentralisation	7
4 Inputs	10
4.1 Policies	10
4.2 Financial resources: commitments	16
4.3 Human resources and technical assistance	16
4.4 Lessons learned from other donors	19
5 Outputs	21
5.1 Financial resources: disbursements	21
5.2 Austria and the policy dialogue	21
5.3 Lessons learned from other donors	23
6 Institutional set-up and operational procedures	24
6.1 Programme cycle budget support operations	24
6.2 Lessons learned from other donors	26
7 Conclusions	27
Annexes	30
Annex 1 Staff line Uganda Coordination Office, 2006-2010	31
Annex 2 Programme Cycle JLOS	32
Annex 3 Programme Cycle LGSIP	34
Annex 4 List of interviews conducted	35
Annex 5 Literature	36

Table of acronyms

ADA	Austrian Development Agency
ADC	Austrian Development Cooperation
BS	Budget Support
CSO	Civil Society Organisation
DFID	Department for International Development
DGIS	Directorate General International Cooperation
DP	Development Partner
FIDA	The Uganda Association of Women Lawyers
FY	Fiscal Year
GBS	General Budget Support
GOU	Government of Uganda
HOC	Head of Cooperation
ICTJ	International Centre for Transitional Justice
IMF	International Monetary Fund
JARD	Joint Annual Review of Decentralisation
JBSF	Joint Budget Support Framework
JLOS	Justice, Law and Order Sector
LG	Local Government
LGDP	Local Government Development Programme
LGSIP	Local Government Sector Investment Plan
M&E	Monitoring & Evaluation
MFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
NGO	Non-governmental Organisation
ODA	Official Development Assistance
PEAP	Poverty Eradication Action Plan
PFM	Public Finance Management
PRDP	Peace, Recovery and Development Plan for Northern Uganda
SBS	Sector Budget Support
SIP	Sector Investment Plan
SWAps	Sector Wide Approaches
TAT	Tax Appeal Tribunal
TYP	Three-Year Programme
UJAS	Uganda Joint Assistance Strategy
W&S	Water and Sanitation

1 Introduction

ECORYS Nederland BV (ECORYS) has been contracted to undertake a Comparative Review of Austrian Development Cooperation's Budget Support Operations.

The overall objective of the Review is to provide an assessment of the use of budget support¹ (BS) as an aid modality since 2005/6 to date, and how budget support creates synergies with other modalities used by the Austrian Development Cooperation (ADC). The Review aims to achieve this by (i) comparing ADC's policy documents, internal procedures and human resources regarding budget support with those of two other comparable European donors (Belgium and the Netherlands); and by (ii) assessing ADC's budget support operations in four case study countries (Cape Verde, Mozambique, Nicaragua and Uganda).

The purpose of this report is to present the findings from the review of ADC operational experience with budget support operations in Uganda since 2005/6, as part of the Review's second phase. Particular attention is paid to the value added of ADC's involvement in budget support operations including a review of ADC policies, capacities and procedures as determining factors, using the open-systems model. In line with the Terms of Reference, the review team focussed on analysing Austria's involvement with budget support in support of the Justice, Law and Order Sector and the Local Government Sector Investment Plan.

The field mission to Uganda took place from 30 January to 6 February 2010 and was carried out by one senior international expert (Ines Rothmann), accompanied by a national consultant (Wilson Baryabanoha). In preparation of the field mission, the most relevant documentation of ADC policies, capacities and procedures as well as Uganda's aid effectiveness context were examined. During the mission, ample attention was paid to gathering the relevant information and perceptions of the Uganda Coordination Office and representatives from government, development partners and civil society. A debriefing session took place on 5 February 2010, where the major preliminary findings were discussed with the Uganda Coordination Office.

¹ For the purpose of this report the term Budget Support will be used to denote both General Budget Support (GBS) and Sector Budget Support (SBS). If something applies specifically to either of these types of BS, this will be communicated accordingly.

2 ADC Country Programme

Austria has a long-standing engagement with Uganda, dating back to the beginning of the 1990s. Bilateral Official Development Assistance (ODA) from the Austrian Development Agency (ADA) to Uganda increased from EUR 5.5 million in 2005 to EUR 10.3 million in 2008, but fluctuated, however, considerably during this period.²

ADC country programme has historically focussed on three main sectors focus: water & sanitation, governance (in particular support to the Justice, Law and Order Sector (JLOS) and decentralization) and private sector development.³ Over time, Austria has managed to increasingly consolidate and streamline its portfolio in order to fulfil its international commitments on aid effectiveness and the efforts of the Development Partners (DPs) in Uganda to work within a more efficient and effective division of labour.

Today, ADC is active in 2 sectors: water & sanitation and governance with particular focus on JLOS and the peace & reconstruction process in North Uganda. Both sectors have clearly been allocated most of Austria's funding over the past decade. Support to private sector development and decentralisation has been phased out. Austria's support to water & sanitation includes a contribution to the Joint Water & Sanitation Sector Programme Support, which focuses on rural areas including rural growth centres and small towns and is anticipated to evolve in the future into a Sector Budget Support (SBS) operation. Support in the JLOS includes SBS and support to legal aid, transitional justice and access to justice at local level. Austria supports also the restoration of peace and the reconstruction of Northern Uganda by providing on-budget and off-budget support to the Peace, Recovery and Development Plan for Northern Uganda (PRDP). It includes technical and financial contribution to the Juba peace talks, particularly to the Cessation of Hostilities Agreement, and the rehabilitation of women and children affected by conflict. Over time, ADC has changed its geographic focus from the south-west towards the north of Uganda in line with Austria's focus on peace building and conflict resolution.⁴

Austria's aid to Uganda is fully aligned to the Ugandan national development strategy Poverty Eradication Action Plan (PEAP) and the respective sector strategies and has been provided more and more through aligned modalities (such as budget support and pooled funds) and hence is gradually using more national systems.

² ADA Statistics.

³ Austrian Development Cooperation, Country Programme Uganda 2003-2005, Wien 2002.

⁴ Austrian Development Cooperation, Austria's Development Cooperation with Uganda, not dated.

3 The (sector) budget support programme

3.1 JLOS

The sector programme

The Justice Law and Order Sector Second Strategic Investment Plan (JLOS SIP II) 2006/7-2010/11 is the guiding strategic document underlying the support to the sector.⁵

The JLOS purpose is to improve the safety of the person, security of property and access to justice in order to encourage economic development and benefit poor and vulnerable people. Guided by its Strategic Investment Plan 2006 to 2011, JLOS focuses on four thematic areas of justice i.e. Criminal Justice, Commercial Justice, Family Justice and Land Justice.⁶

The JLOS budget increased by 186% between 2002/03 and 2009/2010, while its share to government expenditures decreased from 6.9% in 2002/03 to 4.9% in 2008/9 and since then increased somewhat again to 6.4% in 2009/2010. The JLOS development budget totalled 12.6% of the total JLOS budget in 2008/9 and 13.1% of the budget in 2009/2010.⁷ The JLOS SIP II is in line with the Medium-term Expenditure Framework but covers only development expenditures and not recurrent expenditures.

The SBS in support of the JLOS SIP II is currently financed by five donors: Austria, Norway, Sweden the Netherlands and Ireland, and accounted for roughly USD 22 million in 2008/9 and USD 24 million in 2009/10⁸.

Austria's sector budget support programme

Austria had been active in the JLOS since 1997. It supported the JLOS SIP I between 2002 and 2005 and supports the JLOS SIP II from 2006 until 2011.

Between 2006/7 and 2010/11 ADC has committed a total of EUR 7.5 million over the five years to support the JLOS SIP II. Austrian contributions to the JLOS budget were 1.44% in 2008/9 and 1.52% in 2009/10 and roughly 10% of SBS contributions in 2009/10. Austria was the smallest funding donor of JLOS SBS while the Netherlands and Ireland are the biggest ones of the five donors, providing 33% and 25 % respectively of the JLOS SBS in 2008/9.⁹

⁵ Republic of Uganda, Justice law and order sector (jlos) strategic investment plan II 2006/7- 2010/11.

⁶ Republic of Uganda, Justice law and order sector (jlos) strategic investment plan II 2006/7- 2010/11.

⁷ Authors own calculations based on GOU MTEF. Government of Uganda, Medium-term expenditure framework 2009/10-2014/15, (excl. Energy savings, arrears, and non-vat taxes).

⁸ Austrian Embassy - Development Cooperation Uganda, Budgetberechnungen January 2010.

⁹ Austrian Embassy - Development Cooperation Uganda, Budgetberechnungen January 2010.

Progress of the sector programme¹⁰

One of the major achievements is that the Government of Uganda (GOU) and DPs managed to set up one of the first Sector Wide Approaches (SWAPs) encompassing 11 JLOS institutions under one umbrella. The sector has continued to grow and strengthen the principles of coordination, cooperation and communication both at national level and district level as a means of achieving its objectives under the reform program.

JLOS has over the years positioned itself and made positive strides towards providing an enabling legal and regulatory framework that is vital for respect, protection and enforcement of rights and for economic development to take place. It has been successful in promoting the independence of the judiciary and in establishing a human rights charter and a human rights commission, which have been raising awareness about the misuse of human rights. Under fostering a human rights culture there was continued implementation of the Human Rights Based Approach (HRBA), a reduction in congestion levels in prison by 23% through provision of more accommodation, improving the prisoner warder ratio to 1:4.5, increased staff accommodation in the hard to reach areas, community service and reduction in the remand convict ratio to 45:55, as well as implementation of juvenile diversion programmes.¹¹

The sector continued with programmes of de-concentrating services with the opening of one more Ministry of Justice & Constitutional Affairs (MoJCA) regional office in Arua, construction of 6 courts 2 DPP offices, border posts, police stations and barracks. The sector also built capacity of institutions through recruitment in the judiciary, police and prisons. Because of the interventions the police population ratio is now at 1:786 while courts operate at 66% capacity in terms of staffing. The sector invested resources in retooling and equipping the sector institutions and has reduced the rate of growth of case backlog from 17% to 7.9% with over 78,000 cases disposed. The sector continues to prioritise Local Council Courts development through training of the officials with 79 of the 85 districts now covered.

In the reporting period the sector continued to register a reduction in the incidence of reported crime from 83 for every 10,000 to 39.9 for every 10,000. At the same time the rate of recidivism reduced from 35% to 28%.

In its contribution to economic development, efforts were placed at reform of commercial laws, training of commercial lawyers, reform of commercial registries and enhancing commercial dispute resolution. Besides the enactment of some of the critical laws, progress has been registered in reduced transaction time in the company's registry to under 24 hours, the commissioning of a purpose built commercial court, in house mediation in the court, as well as establishment of a users committee at Tax Appeals Tribunal (TAT).

In light of these achievements, a number of challenges remain. Concrete and sequenced interventions in land and family justice still have to be identified, implemented and reported on, while strengthening private/public partnerships and integration of cross

¹⁰ JLOS, Annual Progress Report 2008/2009, December 2009.

¹¹ JLOS, Annual Progress Report 2008/2009, December 2009.

cutting issues is required of the sector. The case backlog, gender based violence and corruption remain important hurdles in progress. Vital aspects for the success of the programme also include the need for adequate staffing; sufficient recurrent budgets to sustain investments from the development budget; commitment at political, policy and technical levels to implement the reform activities; timely disbursement of funds, procurement and establishing a sound Monitoring & Evaluation (M&E) framework.

3.2 Decentralisation

The sector programme¹²

The Local Government Sector Investment Plan (LGSIP) 2006-2016 is the guiding strategic document underlying the support to the sector.

The primary objectives of the LGSIP are to:

- Provide a single point of reference for mobilizing resources for implementation of the decentralization policy within the context of the Medium-term Expenditure Framework (MTEF);
- Ensure that resources are channeled to core programmes and activities to support implementation of the decentralization policy in line with the PEAP;
- Ensure coordinated and effective delivery of services at local level.

The LGSIP succeeded the Local Government Development Programme (LGDP) which aimed to promote local service delivery, political, administrative and fiscal decentralisation, good governance and local economic development. Funding to the first phase - the LGDP - was led by the World Bank with co-funding from bilateral donors. Bilateral funding in the form of SBS started with LGSIP.

Between 2006/7 and 2008/9, spending on the local governance sector accounted for roughly 7% of total public spending (including the Ministry of Local Government, the Local Government Development Programme, the Local Government Finance Commission and grants to sub-national authorities).¹³ SBS in support of the LGSIP is currently financed by Belgium, Ireland, Denmark and the Netherlands and was roughly EUR 8 million in 2009/2010. Austria was part of the SBS group between 2006/7 and 2008/9. The major donor supporting local government reform, outside the SBS operation, is the World Bank, which provided more than EUR 100 million in 2009/2010 to the Ministry of Local Government to finance the local grant system.¹⁴

Given limited progress with the LGSIP, most SBS donors have now decided to withdraw from funding, including Austria.

¹² Ministry of Local Government, Local government sector investment plan (LGSIP) 2006-2016.

¹³ Government of Uganda, Medium-term expenditure framework 2009/10-2014/15, (excl. Energy savings, arrears, and non-vat taxes).

¹⁴ Based on interviews with Ministry of Local Government.

Austria's sector budget support programme

In 2004, ADC decided to support the co-financed World Bank led LGDP by earmarking its funds to capacity building. From 2006/7 onwards, ADC has supported the LGSIP by means of un-earmarked SBS.

ADA committed EUR 1.3 million, in 2006, and EUR 2.6 million, in 2008, SBS to LGSIP, of which EUR 2.6 million were disbursed. As of July 2009, ADC has withdrawn from the LGSIP and the last tranche of EUR 1.3 million was withheld.¹⁵ Decentralisation aspects remain, however, addressed to some extent through Austria's support to the JLOS SBS and Water and Sanitation (W&S) pooled fund. The decision to withdraw from the sector seems appropriate given uncertain commitment of the government to the process of decentralisation, transparency & accountability in the sector, lack of proper financial statements and timely audit reports, Austria's commitment to the Uganda division of labour exercise, and overall staff resources in the Coordination Office. The withdrawal of many other donors, previously engaged in SBS to the LGSIP, is characteristic for the concerns in the sector.

Austria can be considered a medium-sized donor in the LGSIP. In 2007/8, for example, Austria's disbursements accounted for approximately 17% of the total DP funding disbursed to LGDP.¹⁶

Progress of the sector programme

Decentralisation reforms have led to a decentralisation of the public sector in Uganda where the 97 democratically elected local governments at district level in Uganda now manage some 35% of public finance and 70% of public servants in pursuit of service delivery of main PEAP sectors at the local level.¹⁷

Despite the significant reforms already carried out to advance decentralization, substantial re-form challenges remain such as the need to ensure fiscal sustainability of the local authorities. In January 2005 the so-called Graduated Tax was removed, which was the main source of own finance for discretionary development activities. Although some compensation has been given through the Ministry of Local Government, it is not sufficient to cover for the loss in revenue, while central government transfers to local governments have decreased as share of the total budget. Also a number of new districts have been established without corresponding increases in financing to cover fixed administrative and running costs. This has added to the financial gap. In order to close that gap, a range of other local taxes have been proposed including taxing of markets, cattle, vehicles etc.¹⁸

The main concerns articulated during the Joint Annual Review of Decentralisation (JARD) 2008 included: lack of accountability and the fight against corruption, inadequate financing of local government services, decreasing local revenues and management of the

¹⁵ ADA Statistics.

¹⁶ Austrian Embassy - Development Cooperation, August 08 Update – Disbursements to LGSIP Basket 2006-2009.

¹⁷ Danish Ministry of Foreign Affairs, Programme document Danida support to public sector management reforms in Uganda, February 2007 – December 2010, January 2007.

¹⁸ Danish Ministry of Foreign Affairs, Programme document Danida support to public sector management reforms in Uganda, February 2007 – December 2010, January 2007.

newly introduced taxes, the creation of new local governments, inadequate staffing levels and capacity building in local governments, increasing urbanisation and the coordination, supervision and monitoring of local government programmes by the centre.¹⁹

¹⁹ Ministry of Local Government, The Fifth Joint Annual Review of Decentralization (JARD), December 2008.

4 Inputs

4.1 Policies

This chapter describes to what extent currently funded budget support and complementary activities of ADC's bilateral country programme in Uganda are in line with ADC's policies provided in the a) Three-Year Programme (TYP), (b) the budget support strategy and (c) the conditions defined in the Uganda country programme.

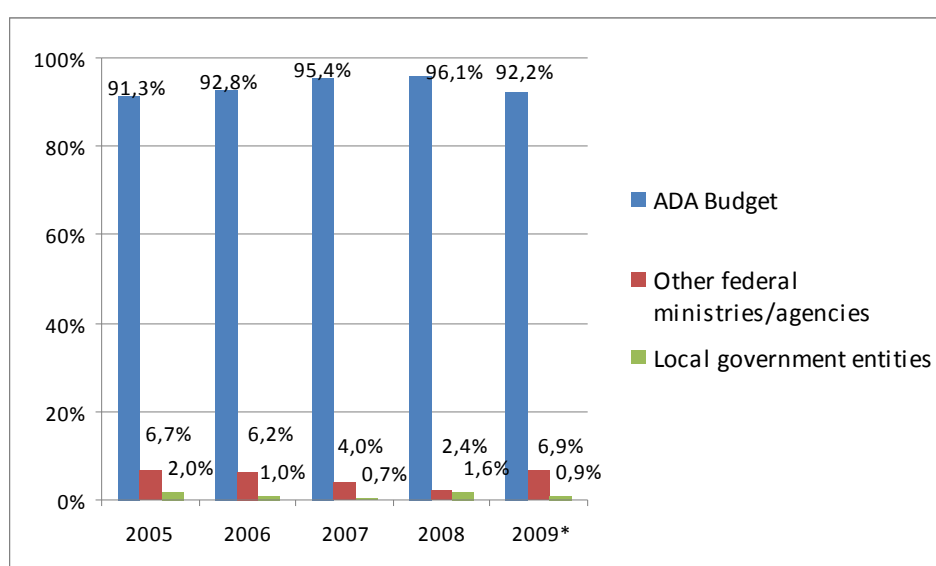
Implementation of the TYP 2006-2008 strategic objectives

The *Three-year Programme* sets some general principles:

- the up-scaling of aid;
- the shift towards more aligned aid modalities;
- a thematic concentration; and
- a greater transparency and dialogue with the civil society organisations.

General scaling up of aid. Of total Austrian ODA commitments to Uganda, the major share is allocated to the ADA Budget, which accounted for 91.3% of Austrian ODA in 2005 and 96.1% in 2008. The share of ODA commitments to Uganda by other federal ministries and agencies was 6.7% in 2005 and 2.4% in 2008, while commitments of local government entities accounted for 2% in 2005 and 1.6% in 2008 (see figure below).

Figure 4.1 Total Austrian ODA to Uganda by funding source, 2005-2009 (commitments)



Source: Authors own calculations and graph based on ADA Statistics.

Note: 2009 figures are provisional.

Bilateral ODA commitments from ADA to Uganda increased from EUR 5.5 million in 2005 to EUR 10.3 million in 2008, representing an 85% increase over the review period. This increase should, however, be interpreted with care as ADA's commitments fluctuated substantially during the review period, see Table 4.1. In addition, provisional data for 2009 shows a substantial decrease in ODA commitments to EUR 6.1 million.²⁰

Table 4.1 ODA commitments of ADA to Uganda

	2005	2006	2007	2008	2009 (prov.)
ADA's total bilateral commitments to Uganda (in € million)	5.5	12.3	7.9	10.3	6.1
As share of ADA's total ODA commitments	5%	12%	7%	9%	N.A.

Source: Authors own calculations based on ADA Statistics.

Despite the scaling up of ADA's bilateral ODA commitments to Uganda during the review period, Austria remained a very small donor in the country accounting, on average, for 0.8 % of total ODA commitments to Uganda between 2005-2008.²¹

Qualitative shift of ODA to more aligned aid modalities. ADC has been successful in increasing aid to government and in making increased use of national systems and programme-based aid, promoting national ownership and policy & systems alignment.

ADC has successfully managed to rapidly phase budget support into the bilateral country programme, from 0% in 2005 to 25.3% in 2008 on commitment basis.²² As of July 2009, ADC terminated SBS to LGSIP. It is expected, however, that ADC's support to the water & sanitation sector will soon be turned from a pooled funding arrangement into a fully-fledged SBS, which would increase the share of SBS to the total Austrian country programme to more than 50%.

Table 4.2 SBS as share of ADA's ODA funds to Uganda

	2005	2006	2007	2008	2009 (prov.)
SBS commitments (JLOS & LG) as share of ADA's bilateral ODA	0%	14.7%	44.2%	25.3%	57.4%
SBS disbursements (JLOS & LG) as share of ADA's bilateral ODA	0%	22.4%	18.4%	26.9%	32.6%

Source: Authors own calculations based on ADA Statistics.

ADC's non-budget support portfolio consists primarily of pooled funds and programme based project support. In the water sector, for example, Austria supports the Water &

²⁰ ADA Statistics.

²¹ Authors own calculations based on OECD-CRS Aid Activity Database (OECD.stat).

²² Authors own calculations based on ADA Statistics.

Sanitation Sector-Wide Pooled Fund and the South Western Towns Water & Sanitation project.

Support to JLOS is not only provided in the form of SBS but also as project funding in the framework of the Peace Recovery and Development Programme (PRDP). This support is very much programmatic and aligned with the policy objectives in the sector.²³ ADC has also supported the Northern Uganda Peace & Reconstruction process through international organisations and Non-governmental Organisations (NGOs) (e.g. to the Juba peace process). ADC has phased out its other ADC support to public sector management (e.g. decentralisation) and private sector development by the end of 2009.²⁴

Consolidation and streamlining efforts have helped to reduce the number of contracts handled by the Coordination Office in Uganda to 17 in 2009, from 79 contracts in 2005, of which 34 contracts alone referred to regional support activities in Burundi, Kenya, Tanzania and Rwanda and 45 to the Uganda country programme.²⁵

Overall, an increasing share of ADA's ODA commitments to Uganda has been allocated to direct budget support (from 0% in 2005 to 25% in 2008), while the share of projects declined (from 65% in 2005 to 50% in 2008, and 37% in 2009²⁶), see figure below.²⁷

Figure 4.2 ADA's ODA commitments to Uganda by modality, 2005-2009



Source: Authors own calculation and graph based on ADA Statistics.

Note: 2009 figures are provisional.

Thematic concentration. In spite of not having had a formally approved country strategy since 2006, the Uganda country team has well managed to consolidate and streamline its country portfolio. A new country strategy is expected to be completed before the end of 2010.²⁸ While being active in the past in a wide variety of sectors (incl. water & sanitation, governance, public sector management and private sector development) and in the south-west of Uganda, the Coordination Office today is active in only two sectors: water & sanitation and governance (support to JLOS and transitional justice) and has geographically refocused on the conflict-affected North of Uganda.

²³ Information provided during interviews by the coordination office.

²⁴ Information provided during interviews by the coordination office.

²⁵ Information provided during interviews by the coordination office.

²⁶ Provisional figure.

²⁷ Authors own calculation and graph based on ADA Statistics.

²⁸ Interviews with Austrian Ministry for Foreign Affairs.

It is well recognised in the donor community in Uganda for being one of the few donors who followed through with the commitments to the EU Code of Conduct and the nationally conducted division of labour exercise. The reduction of the regional activities in Kenya, Burundi, Rwanda and Tanzania, for which the Uganda Coordination Office was previously in charge of, has also helped to facilitate greater focus of staff resources on the Uganda programme.²⁹

Funding to water & sanitation, governance (JLOS, Peace and Reconstruction in Northern Uganda), as well as in the past to public sector management (LGSIP) and private sector development, is in line with the focal sectors identified in the TYP 2006-2008.³⁰

Within the country programme, the Coordination Office has been increasingly making links between their core activities and gender-related issues. For example, the JLOS reform activities have been working on gender related legal aspects (e.g. family law, gender-based violence, etc) and the Coordination Office is supporting the Uganda Association of Women Lawyers (FIDA), an NGO dealing with sexual and gender based violence in courts. It also supports the Uganda Women Network to conduct M&E activities, at district level, of public spending on PRDP in Northern Uganda. Gender-related support is in line with TYP's 2006-2008 focus on the role of women as a cross cutting issue.

Greater dialogue with civil society. The nature of Austrian engagement with civil society in Uganda has changed over time as a result of the aid paradigm and the aid effectiveness agenda. While early support to Uganda involved working with NGOs as organisations delivering public services, the focus is now much more on cooperating with civil society to promote a greater voice of the poor & vulnerable and transparency & accountability.

ADC's support to the International Centre for Transitional Justice (ICTJ) on transitional justice, to the Ugandan Women Network on monitoring PRDP district level spending, and the planned but not yet approved support to FIDA on gender based violence are good examples in this context. These programmes are financed outside the country programme, through the NGO co-financing scheme. The Coordination Office has been well engaged with these players and has maintained the links with its other JLOS and PRDP activities within the country programme.

The engagement with civil society has helped the Coordination Office to regularly touch base with critical non-state voices and to generate useful additional knowledge on technical and political economy aspects in the sectors they are operating in. Yet, increased dialogue with civil society on ADC's country programme strategy could help create greater awareness of ADC's activities, strategy and profile in Uganda. The Coordination Office recognises the importance of civil society and aims to reinforce its relationships.

²⁹ Information provided during interviews by the coordination office.

³⁰ Federal Ministry for European and International Affairs, Three-Year Programme on Austrian Development Policy 2006-2008, Revised version 2006, Vienna.

Implementation of the ADC Budget Support Strategy

The Uganda country programme has well applied the major pillars of the ADC Budget Support Strategy but its implementation has highlighted a number of challenges. The box below repeats the major elements of this strategy.

Box 4.1 ADC's BS Strategy main pillars

- ADC will follow a phasing-in scenario for BS to achieve a target of 10-15% of BS to ADC's total operational bilateral aid, whereby not an entire country programme will be implemented through BS but that an appropriate, complementary mix of modalities is maintained;
- ADC will only consider BS in priority countries in order to employ the know-how and experiences gained through cooperation to date, and to participate actively in donor coordination and policy dialogue through local Coordination Offices;
- ADC will prefer to give BS in the priority sectors in order to promote a clear value added in the policy dialogue and cash-in on specific ADC expertise;
- ADC will only give BS in cooperation with other donors to handle the increased effort and transaction costs that come with engaging in BS, especially for a relatively smaller donor.

Source: Austrian Development Cooperation, Budget Support Strategy, Vienna, December 2009.

As was stated earlier, ADC has successfully managed to rapidly phase budget support into the bilateral country programme. The Budget Support Strategy highlights that not an entire country programme will be implemented through budget support but that an appropriate, complementary mix of modalities is maintained. What an appropriate mix of modalities may mean for ADC is not sufficiently clear from the draft Budget Support Guidelines. Moreover, the Budget Support Strategy was only approved in 2009. In addition, the lack of a formally approved country strategy since 2006 has undermined strategic objective setting as regards to ADC's modality mix in Uganda. Going through the country strategy design process could have helped to determine the particular strategy and focus of ADC's involvement in budget support and its approach to an appropriate, complementary mix of modalities.

The non-disbursement of the last tranche of SBS to LGSIP on the one hand and the drop in total ODA to Uganda since 2009 on the other hand, highlight the need for Austria to take position and define how to use existing resources across the ADC priority partner countries and within the Uganda country programme.

In spite of the overall lack of strategic guidance, the Coordination Office has promoted a modality mix and supplementary actions that stimulate greater effectiveness of budget support operations. The shift towards more aligned modalities like budget support and the use of more programmatic approaches in projects have clearly promoted government ownership and reduced transaction costs for government. It has also provided good learning experience and understanding of the sector specific context, strategy and implementation issues and built relationships with state and non-state actors.

Various levels of fiduciary risks, government commitment and absorption capacities have determined the use of different modalities. Today, the majority of the country programme is deployed in the form of budget support, while cooperation takes place with the government (e.g. south western towns water & sanitation, PRDP support to JLOS),

international organizations (e.g. support to Juba peace process and the Northern Uganda Peace & Reconstruction process) and NGOs (e.g. legal aid, transitional justice, gender).

The Office has also been able to maintain good linkages between the different programme components and modalities, especially within the governance area. For example the JLOS SBS operation is complemented by project support to PRDP, legal aid, human rights and transitional justice.

Supplementary measures to budget support have focused on promoting capacity building and accountability for results. Both SBS operations (JLOS and LG) comprised support measures to capacity building, i.e. sub-national planning and budgeting. The regular sector reviews, Austria's engagement in developing a sound M&E framework for the JLOS operation, and cooperation with non-state actors (e.g. Uganda Women's Network), have all played an important role in monitoring & evaluating the results of public monies spent. Yet, support to promoting transparency & accountability through independent "watch dog" institutions and civil society in support of Austria's engagement in budget support could be further strengthened.

As many project activities and supplementary measures have, however, ended in 2009 or will end in 2010, there are opportunities to review the modality mix in accordance with the strategic objectives formulated in the future country strategy and the existing staff capacity constraints in the Coordination Office.

The other requirements of the strategy are also complied with. Uganda is indeed an ADC priority country as is required by the Strategy. Furthermore, the preference of providing BS to priority sectors is adhered to as the choice of the JLOS and decentralisation sector is in line with the TYP 2006-2008 focal sectors on governance. Finally, the requirement to only give BS in cooperation with other donors is also fulfilled. There are currently five other donors providing SBS to JLOS and to LGSIP. ADC has not been using delegated partnerships in its budget support operations.

Implementation of budget support in line with the country programme conditions

There has been no formally approved country strategy governing the Uganda country programme since 2006. In practice, the programme builds forth on the sector focus of the previous country programme 2003-2005 but with greater rationalisation of programme activities into fewer sectors and more aligned modalities.

The absence of a recent country strategy in combination with a lack of operational guidance on budget support (as the Budget Support Guidelines remain in draft form) created a situation in Uganda where the objectives, value added and niche, the modality mix, and the supplementary measures of budget support were not clearly defined. As such, it is difficult for the review team to assess to what extent ADC's experience with budget support in Uganda, and its decisions taken, have been in line with the country programme.

4.2 Financial resources: commitments

The Ministry of Foreign Affairs (MFA) and ADA approved a total of EUR 3.9 million for SBS to LGSIP between 2005 and 2009. Support to LGSIP was managed through a financial agreement covering the year 2006/7, worth EUR 1.3 million and signed end of 2006, and a second financial agreement covering the period 2007/8-2008/9, worth EUR 2.6 million and signed in 2008, to be disbursed by two annual tranches of EUR 1.3 million.

MFA and ADA approved a total of 7.5 million to JLOS SBS between 2005 and 2009 in three financial agreements. Support to JLOS was contracted through a financial agreement, worth EUR 0.5 million, covering the year 2006/7, a second financial agreement, for a total of EUR 3.5 million, covering the period 2007/8-2008/9, and a third financial agreement, for a total of EUR 3.5 million, covering the period 2009/10-2010/2011. The disbursements for the second financial agreement were made in semi-annual tranches. The Coordination Office has revised its disbursement policy for the current financial agreement governing the JLOS SBS operation whereby the total committed amount of EUR 3.5 million will be split into roughly equal annual tranches (EUR 1.8 million and EUR 1.7 million) to be disbursed in the first quarter of the fiscal year.

ADC's policy to disburse JLOS and LGSIP funds is tied to a satisfactory assessment of the respective sector performance undertaken in the framework of the regular sector reviews. The Joint Financing Agreement for LGSIP also linked disbursements to the receipt of satisfactory accountability, notably the annual report of the Auditor General. Performance assessment takes the form of a review of general achievements and challenges rather than being anchored in a distinct set of performance indicators. With the help of ADC, the JLOS is currently in the process of defining such a performance assessment framework. The assessments have taken place during regular annual sector reviews in December in which both government and development partners' representatives jointly participate.

4.3 Human resources and technical assistance

Staff profile and expertise

Currently, the Uganda Coordination Office operates with one Head of Cooperation (HOC), one Programme Officer Governance and one Programme Officer Water & Sanitation, who are supported by a Head of Administration, two secretaries and a driver. The current Head of Cooperation was until 2007 the former Programme Officer Governance and hence brings long-standing experiences with the ADC country programme in Uganda. The current Programme Officers for Governance and Water & Sanitation were both previously posted at ADA headquarters in Vienna. Until 2007, the Coordination Office had one additional programme officer at its disposal, who was responsible for private sector development. This post has been rationalized given ADA's successive withdrawal from this sector. For the period under review, all Heads of Cooperation and Programme Officers (except for private sector development) were international staff. The post of the Head of Administration was also an international post

from 2007 until 2009, but then became a national staff position. Budgetary constraints were part of the reason for this. In 2004/5, the office had three trainees from MFA for six months each and since 2006 volunteers have sporadically provided support to the office for a few months. Annex 1 presents the staff line for the Uganda Coordination Office between 2006-2010.³¹

The roles & responsibilities reflect largely the focus of the Coordination Office on the two sectors: water & sanitation and governance. The task level for the three staff is however significant. The Head of Cooperation takes overall responsibility for the country programme representation, implementation and coordination, and engages in the political and policy dialogue as well as thematically on aid effectiveness and public finance management (PFM). The Programme Officer Governance focuses on the JLOS, the programme activities evolving around Northern Uganda (peace building, recovery), human rights as well as gender. The Programme Officer Water & Sanitation is responsible for water supply, sanitation and water resource management as well as environment & natural resources and HIV & Aids as cross cutting issues. All three have a wide range of non-focal responsibilities. In the past, the Coordination Office was also responsible for the regional activities in four other countries (Kenya, Tanzania, Burundi and Rwanda), all of which have been or are in the process of being terminated.³²

The Coordination Office's transformation towards using more aligned modalities and participating increasingly in the central policy dialogue has led to increasing demands on staff time as well as changed needs of skills and expertise. Austria's international commitments to the Paris Declaration require an amplified engagement in the political and policy dialogue both at national, sector and sub-national level in support of government ownership. Staff no longer only manage and monitor activities but also have to be a competent partner in the dialogue with government. The time allocated to the policy dialogue and sector-wide monitoring has grown while traditional management & project monitoring still needs considerable resources.

The GOU and DPs highlighted that the absence of local advisory staff limits a donor's understanding of the country context and political economy issues and endangers the institutional memory built-up & continuity. The Coordination Offices recognises this challenge.

Engagement in the various working groups requires a good understanding of sector-specific issues, cross-cutting themes (such as PFM and governance) and of aid modalities. The programme officers and Head of Cooperation have built good knowledge of the sectors of engagement, financing modalities and of Uganda country specific circumstances. Most of this experience has been gained by working on the job, rather than by formal trainings.

Overall, the Coordination Office has qualified & actively engaged staff for conducting the political & policy dialogue around budget support. However, a specialisation of ADC in

³¹ Information provided by the coordination office.

³² Information provided by the coordination office.

the policy dialogue will require more in depth technical expertise related to specific sector issues as well as more cross-cutting expertise around PFM and (macro-)economics.

ADC as learning organisation

Engaging with new aid modalities, requires systematic and regular exchange of knowledge and targeted capacity building measures across the entire organisation, in order to rapidly expand new ideas and working practices and develop a critical mass of experienced staff. Such capacity building should not be limited to technical advisory staff, but preferable benefit also support staff involved with budget support operations (e.g. administration, legal and finance departments).

Experiences with knowledge exchange around budget support matters between MFA and ADA in Vienna on the one hand and the coordination office in Uganda on the other hand are mixed. There are limited opportunities to exchange experiences on budget support in Uganda with ADA and MFA headquarters and other Coordination Offices. There is an annual Head of Cooperation event and recently a bi-annual event for programme officer staff has been launched, which takes a particular thematic emphasis. Last year, the focus was on PFM. More sector-related exchange of experiences across staff from different Coordination Offices or with the thematic desks in head quarter rarely take place. Head quarter missions to the field are infrequent. The fact that the two programme officers have been working at ADA headquarters in the past promotes institutional memory and common understanding.

The Coordination Office receives technical support from ADA's regional and thematic desks. This has worked particularly well in the case of water & sanitation. Also the recruitment of additional staff in Vienna on PFM related matters has helped to build systematic knowledge of PFM. Uganda is the only ADA priority partner country where the JLOS is supported and hence specific technical in-house experiences across ADA is relatively restricted.

Strategic alliances with centres of excellence (e.g. academic research institutes) can be a potential avenue for strengthening the availability of specific expertise for ADA. Other possibilities comprise systematic support by consultancy advice. The Coordination Office has cooperated with the Ludwig Boltzmann Institute for Human Rights in Vienna, which has provided technical support upon demand to the office, but advice could have been more country-specific and tailored to the challenges specific to the office's engagement in JLOS. No such possibilities have existed in the area of decentralisation. In the past, when Austria was leading the water & sanitation sector in Uganda, the Coordination Office had the opportunity to contract a technical consultant to acquire additional, external technical support to the coordination office. This has worked well, but similar opportunities have not been available for other activity areas.

ADC has invested in capacity building around budget support, in particular in trainings on PFM and gender-budgeting. This has built crucial skills & knowledge within the entire organisation of ADA. The programme officer governance has benefited from one training on PFM organised by ADA in Addis Abeba. The Head of Cooperation has participated in the same training and in a joint training on managing for results in Kampala (organised by ADC and Belgium) and, in his former capacity of programme officer for governance,

took part in a training on gender issues by the ADA gender expert and a joint PFM training organized by the Directorate General International Cooperation (DGIS) in Uganda. Yet, overall training organized by ADA on sector-specific issues, (macro-) economic skills and wider PFM and aid modalities has been limited.

There is the need for more sector-specific training and for trainings on topics related to the Paris Declaration (e.g. managing for results, mutual accountability, aid approaches, etc). For a small donor with limited resources, joint donor trainings provide useful opportunities for additional capacity building of staff in country. Such opportunities are, however, very limited in Uganda. More systematic monitoring and promotion of relevant opportunities within the Uganda aid community is required.

4.4 Lessons learned from other donors

The bilateral programmes of most other small to medium-sized donors are larger than that of ADC and in general more staff resources are allocated per intervention. However, ADC's share of budget support is on commitment basis at the same level as that of the frontrunners in budget support such as DFID and the Nordic+ countries. Table 4.5 provides an overview of the total net ODA to Uganda of some of the DPs. In addition, it shows DP's shares of budget support to their total bilateral aid.

Moreover, all donors are increasingly concentrating their support in fewer sectors, in line with the requirements of the EU Code of Conduct on the division of labour and the in-country exercise that has been undertaken in the Fiscal Year 2008/9.

Table 4.5 Role of budget support in other donor agencies' aid programmes

Donor	Total net ODA to Uganda in 2008 (USD mln.) ³³	Share of BS to total bilateral programme (three-year average) ³⁴
Austria	14	49.6% (commit.) & 32.6% (disb.)
Belgium	17	30%
Sida	30	45%
Germany	38	20%
DFID	66	50%
Norad	75	50%
Irish Aid	81	50%
Denmark	83	35-40%
Netherlands	83	65%
WB	180	25-30%
EC	275	52.5%

³³ Based on information provided by the coordination office.

³⁴ Data for all donors quoted except for Austria are based on information provided during interviews and information provided by Austrian Development Agency, Bericht 1.10-31.12.2009. Figures for Total Net ODA to Uganda for Austria are based on information provided by Austrian Development Agency, Bericht 1.10-31.12.2009. ADA figures as regards the share of budget support are based on authors own calculation for 2009 (provisional figures) only derived from ADA Statistics and refer to the share of budget support to total bilateral ODA from ADA.

Most other DPs operate with a significantly higher level of staff than the Coordination Office in Uganda, involving commonly one international and one national staff per sector of engagement (see Table 4.6). Most donors have also a resident ambassador in country. In terms of knowledge exchange between field offices and headquarters, most other DPs operate with regular staff rotation across country and head quarter offices.

Table 4.6 Staffing profile of other donor agencies

	Austria	Belgium	Sweden	Ireland	Netherlands
Size of country programme ('09)	EUR 7.05 ³⁵ mln	EUR 11.5 mln	EUR 30 mln	EUR 40 mln	EUR 50 mln
Staff levels: political and technical roles	1 non-resident ambassador 1 HOC 2 Project Officers (POs)	1 ambassador 1 HOC 1 political officer 1 PO education 1 PO health + BTC experts in two sectors for SBS operation	1 ambassador 1 HOC 4 internat. POs 4 nat. POs + part time staff allocation from HQ staff to Uganda	1 Ambassador 1 HOC 3 intern. POs 1 Economist Nat. POs	1 Ambassador 1 HOC Usually 1 intern. & 1 nat. POs per sector + additional POs for cross cutting issues
Provision of General Budget Support (GBS)	✓	✓	✓	✓	✓
Number focal sectors	2 sectors	2 sectors	3 sectors	3 sectors	2 sectors

Source: interviews during field mission.

³⁵ Provisional figure for 2009 (disbursements).

5 Outputs

5.1 Financial resources: disbursements

A total amount of EUR 8.4 million in the form of ADA budget support has been disbursed between 2005 and 2009 to Uganda, of which EUR 2.6 million for LGSIP and EUR 5.8 million for JLOS. Since 2005/6 the Joint Sector Reviews in JLOS and LGSIP have certified a positive assessment of the progress by the GOU in the two sectors, although less so for the LGSIP sector in the fiscal year 2008/9. As a result, all JLOS funds committed for the period between 2006 and 2009 have been fully disbursed, while LGSIP SBS disbursements between 2006 and 2009 fall short of the last tranche of EUR 1.3 million, which was not paid in 2008/9.

Table 5.1 ADA's JLOS SBS operation disbursements

	2005	2006	2007	2008	2009
Disbursements (in EUR)	0	500.000	1.500.000	1.500.000	2.300.000
ADA's total bilateral ODA disbursements to Uganda (in EUR)	7.140.000	8.040.000	8.130.000	10.420.000	7.050.000
ADA's disbursements as share of ADA's total bilateral ODA to Uganda	0%	6.2%	18.5%	14.4%	32.6%

Source: Authors own calculations based on ADA Statistics.

Table 5.2 ADA's LGSIP SBS operation disbursements

	2005	2006	2007	2008	2009
Disbursements (in EUR)	0	1.300.000	0	1.300.000	Withdrawal
ADA's total bilateral ODA disbursements to Uganda (in EUR)	7.140.000	8.040.000	8.130.000	10.420.000	7.050.000
ADA's disbursements as share of ADA's total bilateral ODA to Uganda	0%	16.2%	0%	12.5%	Withdrawal

Source: Authors own calculations based on ADA Statistics.

5.2 Austria and the policy dialogue

The Coordination office is highly appreciated as an equal partner in the sector dialogue with no hidden agendas. It is seen as a very (pro-) active partner who brings together other donors, is well coordinated within its own office, and transparent in information sharing towards its partners. Austria is considered to have a good understanding of local

circumstances and has managed well to build networks of information with government, other donors and Civil Society Organisations (CSOs). Development partners and government alike value Austria for living up to its promises on the division of labour by consolidating and focusing its activities on only two sectors (W&S, governance), and for trying to specialize within the policy dialogue while being a small donor.

Government and DPs highlight that Austria has been able to play a vital role in the policy dialogue, specialize and be visible in spite of being a smaller donor, especially in the JLOS sector. As explained earlier, Austria has decided to withdraw from the LGSIP in June 2009 and hereby draws consequences from the limited government commitment and progress in decentralization but also its limited staff capacity to specialize in the policy dialogue of a third sector. In the JLOS policy dialogue, Austria focused on advancing efforts to develop a sound M&E framework underlying the JLOS SBS operation, transitional justice and around Northern Uganda. Austria is also well respected for trying to bring in cross-sectoral knowledge and experience (i.e. W&S and Local Governance (LG)) into the JLOS policy dialogue.

Moreover, the Coordination Office is recognized for promoting the general aid effectiveness agenda. For example, Austria has financed the evaluation of the Implementation of the Paris Declaration in Uganda in May 2008 and is seen to constructively urge other donors to adhere to the agreements made in the respective Memorandum of Understandings (MOUs) in JLOS and LGSIP. While in the past, efforts of the Office have focused on harmonization and alignment, it is increasingly recognized that the other Paris principles such as managing for results and mutual accountability are equally important. Examples of these efforts are Austria's joint funding and organization with Belgium of the Managing for Results Workshop, the discussions around a mutual accountability framework for donors in the Joint Budget Support Framework but also in the wider Local Development Partners Group (particularly the Aid Effectiveness Working Group), and its focus on M&E in the JLOS SBS.

The Coordination Office has consistently participated, and acted as a critical partner, in the regular sector review process and has a good understanding of the functioning and challenges of the budget process. Not being the lead donor and the staff limitations have, however, prevented the Coordination Office to build in-depth expertise on PFM. As a lead donor, one has, and is expected to have, more access to relevant information in order to conduct a well-informed policy dialogue with the government. As was explained in Chapter 4, the HOC and programme officer governance have benefited from some trainings on PFM but this can only be a first step towards more systematic building of PFM expertise for conducting the policy dialogue around budget support.

In the absence of a resident Ambassador, the Head of Cooperation in the Coordination Office represents the Head of Mission in certain diplomatic functions. The Ambassador responsible for Uganda is located in Nairobi (Kenya). The absence of a resident ambassador has not negatively impacted the implementation of the budget support operation. DPs generally consider Austria an equal partner in the political dialogue, but a resident ambassador could have provided Austria with greater access at higher political levels of government (especially at Minister level).

Recently, DPs have increased efforts to promote higher-level policy dialogue and monitoring with the GOU through the development of a Joint Assessment Framework³⁶ and through developing proposals for structures and coordination for the Joint Budget Support Framework. Since the signing of the Uganda Joint Assistance Strategy (UJAS), DPs have had active engagement in sector level processes but, some argue, to the detriment of a higher-level engagement with GOU on the overall aid architecture. Greater engagement through the Joint Budget Support Framework (JBSF) aims to deal with this issue.

Austria formally joined the JBSF in February 2010. It has committed to contribute to a World Bank led multi-donor trust fund in conjunction with other donors, to support the Technical and Administrative Support Unit (TASU) tasked to provide technical/ analytical, administrative and logistical support to the JBSF Technical and Policy structures. Alongside Belgium and Germany, Austria will be a third smaller donor participating in the JBSF. Austria is the smallest donor contributing to the TASU trust fund. Austria's engagement with JBSF will raise its profile, but it will also have additional capacity implications for conducting the JBSF policy dialogue. The participating partners are in the process of designing coordination structures and distributing tasks and this will provide an opportunity for Austria to select carefully the area it aims to contribute.

5.3 Lessons learned from other donors

A key lesson learned is that smaller donors, in spite of their lower levels of financial contributions, can have a major value added in the policy dialogue evolving around budget support. But this requires clear determination of the strategic objectives and expected contributions, combined with a system that monitors progress.

³⁶ GOU, Joint Assessment Framework, 5 October 2009.

6 Institutional set-up and operational procedures

6.1 Programme cycle budget support operations

The programme cycle for all Austrian financing modalities, except for budget support, are governed by the “Prozessbeschreibung” January 2009. There are now draft Guidelines for Budget Support which describe the programming cycle for general and SBS operations. There were no formal guidelines that guided budget support operations before 2009 and hence the programming cycle, relevant quality assurance mechanisms and requirements as regards country analysis and risk assessments were less elaborate than proposed now in the draft Budget Support Guidelines. The sections below present the programming cycles for JLOS and the LGSIP.

JLOS SBS operation

The request for programming started in March 2006 when the Coordination Office sent basic documentation to ADA headquarters for consideration. The idea of moving towards SBS goes, however, back to 2005 when the Sector Investment Plan for the JLOS sector was developed. A gender and environmental assessment was undertaken. Approval of the JLOS SBS was taken towards the end of 2006 with signing of the Joint MOU in December 2006, after the start of the Ugandan Fiscal Year (FY). Because of the “Vorbelastungsgrenze”, only a financing agreement for one year could be signed for the Ugandan FY 2006/7 and separate financial agreements were signed for the Ugandan FY 2007/8 and 2008/9 and for the period 2009/2010 to 2010/2011.³⁷ The identification and formulation of the JLOS SBS took place within a reasonable timeframe. ADC’s active past role in the sector facilitated Austria’s analysis of the budget support eligibility criteria and helped to rely on joint analysis and understanding.

Throughout implementation, financial disbursements took place generally on time and in line with commitments. The disbursement of the EUR 3.5 million for the years 2007-2009 took place in two tranches per year. The current financial agreement 2009/10-2010/2011 provides for annual tranches.

Regular monitoring of the implementation of JLOS takes place through annual progress reporting in the framework of Joint Reviews between GOU and development partners as agreed in the MOU. Such reviews were undertaken in June in 2007 and somewhat later in December 2008 and 2009 and all show satisfactory results. Financial audits were late for the years 2005/6-2006/7. The Audit Reports of the Auditor General were on time in 2007/8 but not the Special Audit Reports of the JLOS SWAp fund. The audits identify unqualified and qualified opinions across the JLOS institutions, though not material

³⁷ AV, GZ: 1831-00/2006/1-LR/2006.

enough to withhold disbursements. DPs have requested the GOU to address audit findings and to speed up progress in implementing the financial management reform strategy for JLOS. The Office reports on a quarterly basis to ADA headquarters on relevant developments and information as regards their involvement in the sector. Annex 2 provides a detailed overview of the programme cycle for the JLOS SBS operation.

LGSIP SBS operation

The request for programming started in March 2006 when the Coordination Office sent basic documentation to ADA headquarters for consideration. Yet, discussions to move towards SBS started in November 2005. An environmental assessment was undertaken in May 2006, while there is no evidence that a gender assessment was done. Approval of the LGSIP SBS was taken towards the end of 2006 with signing of the Joint MOU in December 2006, after the start of the Ugandan FY. Because of the “Vorbelastungsgrenze”, Austria signed a financing agreement for one year, the Ugandan FY 2006/7 with a commitment of EUR 1.3 million. Furthermore, a two year financial agreement was signed for the Ugandan FYs 2007/8 and 2008/9, with a commitment of EUR 2.6 million. Also in this sector, identification and formulation of the JLOS SBS took place within a reasonable timeframe and ADC’s past role in the sector facilitated this.

Throughout implementation, financial disbursements took place generally on time and were in line with commitments, although the last tranche for the FY 2008/9 of EUR 1.3 million was not paid anymore.

Regular monitoring of the implementation of LGSIP took place through annual progress reporting in the framework of Joint Reviews between GOU and DPs as agreed in the MOU. Such reviews were presented in December 2007 and December 2008 in the context of the joint annual reviews of decentralisation and show satisfactory results. The Coordination Office reports on a quarterly basis to ADA headquarters on relevant developments and information as regards their involvement in the sector.

Financial audits were late for the period under review. There have been increasing concerns about a significant lack of transparency and accountability as regards financial management at central and sub-national government level. DPs have urged the GOU to address audit findings and to speed up progress in implementing the financial management reform strategy. Today, many donors have decided to withdraw from the sector as part of the division of labour exercise, limited programme progress and concerns around transparency and accountability. Annex 3 provides a detailed overview of the programme cycle for the LGSIP SBS operation.

Strengths and weaknesses of programme cycle for budget support operations

ADC programme cycles allow for the flexibility to align with the partner country budget cycle and jointly agreed standards, principles and procedures. ADC has been able to sign the MOU for JLOS and LGSIP without imposing exceptions to the principles and procedures. It has also been able to disburse budget support funds in line with the general agreements made between the GOU and other development partners.

The assessment of the budget support operations seems to have been with a lighter touch as the Budget Support Guidelines were not finalised at that time. This lighter approach

seems appropriate given ADC's joined SWAp experience, its budget support interventions in conjunction with other donors only, and its limited staffing at the Coordination Office. The Office has made good use of existing analyses in line with the spirit of Paris.

One major weakness in the programme cycle of ADC is the difficulty to plan country programme funding, irrespective of the modality, beyond one year. MOUs for JLOS and LGSIP usually require multi-annual commitments and financial agreements with the GOU. The short-time horizon for financial agreements and also the use of within-year tranches, undermines predictability of medium-term financial planning and budgeting of the partner government and increases transaction costs for all parties involved.

The phasing out of ADC support to decentralization and the non-disbursement of the last tranche worth EUR 1.3 million in 2009 highlights the need for ADC to provide more strategic guidance on how unused funds can and should be used within a country programme or for other ADC partner countries. This has also implications on a number of wider strategic issues, which the draft Budget Support Guidelines may want to clarify further for the future, in particular with regard to how ADC aims to translate its policy of modality mix into practice and related implications for financing volume, and the nature and volume of supplementary measures.

6.2 Lessons learned from other donors

Experiences by other donors highlight that most of them are able to commit multi-annually to government budget funding and that adherence to the disbursement schedules is essential to maintain predictability of aid.

Moreover, other donors seem to have a clearer understanding of the modality mix. Smaller to medium-sized donors aim to maintain a mix of funding mechanisms and often set a maximum share for budget support to the total country programme. For example, Belgium cannot fund more than 50% of the country programme through budget support.

Also, most DPs have an embassy in the countries where they provide budget support, whereby the ambassador in cooperation with the Head of Cooperation engages in the political dialogue and the Head of Cooperation takes the lead on the development cooperation policy dialogue with the government and the other DPs.

Compared to other budget support donors, ADC currently operates in a centralised manner, with limited financial delegation to the field offices. The ADA Work Programme 2009 has recognised that aid effectiveness, donor coordination and the policy dialogue with partners requires more decentralised structures and authorities.³⁸

³⁸ The OECD DAC Peer Review, 2009, also indicated the room within ADA for further decentralisation to the field.

7 Conclusions

The major question for the field mission was to review ADC's operational experience with budget support operations in Uganda since 2005/6. Particular attention was paid to the value added of ADC's involvement in budget support operations including a review of ADC's policies, capacities and procedures as determining factors, using the open-systems model.

The value added of ADC in the budget support operations of the JLOS and LGSIP is mixed. On the positive side, ADC is highly appreciated as a (pro-)active and equal partner in the policy dialogue. It shares information transparently and is perceived to have no hidden agendas. ADC is also valued for eagerly pursuing its international aid effectiveness commitments (and bringing in cross-sectoral experience and from sub-national levels). It has been able to find a niche by reducing the number of sectors engaged in and by specializing on specific sub-sectoral or cross-cutting issues in the respective sector policy dialogue. This has enabled ADC to have a value added in the policy dialogue in spite of its small financial volumes of budget support. It has been able to play this role better in JLOS than in LGSIP. ADC has also largely followed national budget procedures and jointly agreed policies and standards in the MOU of the SBS operations, which has contributed to being perceived as a like-minded, constructive partner. Committing more recently to higher level policy and political dialogue in the framework of the JBSF will enable ADC to raise its profile and become engaged more deeply in key dialogue and decision making fora.

These achievements are thanks to the commitment, determination and capacities of individual staff at the Coordination Office, ADA headquarters, and MFA. ADC's policies, capacities and procedures, however, have, in the past few years insufficiently supported Austria to systematically play this important role.

First, it should be highlighted that ADC Budget Support Strategy was only formally approved in September 2009, the draft Budget Support Guidelines are still in the process of being refined. Furthermore, the Uganda country programme was operating without a country strategy since 2006. This has undermined the formulation of the specific objectives ADC aimed to achieve with the use of budget support. Notwithstanding that ADC is a newcomer to budget support, the lack of strategic guidance bears the danger of opportunistic, unclear and unfocussed budget support interventions with little integration into wider country strategy thinking. The Coordination Office has managed surprisingly well to consolidate the portfolio and focus on budget support operations where it could make a difference. Nevertheless, as ADC's engagement with SBS matures it will be confronted with pressing issues (e.g. appropriate mix of modalities, possible minimum & maximum volumes of budget support, the nature and approach to supplementary measures, guidance on exiting budget support operations) which amplify the need for

more strategic and operational guidance and exchange of lessons learned on budget support.

Second, the transformation towards using more aligned modalities and participating increasingly in the central policy dialogue has led to increasing demands on staff time as well as changed needs of skills and expertise. Important bottlenecks in this context are the limitations to staff rotation across ADA headquarters & field offices, which undermine common understanding and lessons learning, career opportunities and staff commitment and continuity for programme officer and heads of cooperation. Capacity development, in particular training opportunities on aid approaches & modalities, PFM, (macro-) economic skills and sector specific expertise, has been limited so far and requires a more strategic approach in line with ADC's comparative advantages and particular country programme objectives.

Third, it is generally recognized by other development partners in Uganda that smaller donors can have an important value added in the policy dialogue regardless of the level of their financial contributions, if they are willing to invest heavily in terms of staff capacities and time and specialize thematically in the policy dialogue. Yet, sufficient financial volumes give a donor a more "natural" weight or leverage in the policy dialogue. Especially in highly aid-dependent countries with a large number of donors, it is important for a smaller donor to review carefully the cost-benefit considerations for engaging with a partner country and what difference one expects to make taking into account the spectrum of historical, political, economic, and development ties. With the current size of the country programme ADC is a very small donor to Uganda. With higher financial volumes it could probably exponentially have raised its profile and leverage. Major constraints in this context are the remarkable comparatively low share of Austrian aid allocated to bilateral cooperation and to priority countries. Also the relatively high number of priority countries adds to further fragmentation of ADC's financial aid volumes. Moreover, due to the recent tightening of aid budgets, partly as a result of budgetary constraints induced by the financial crisis, the gains of scaling up of aid to Uganda between 2005 and 2008 have almost been reversed in just one year.

Fourth, ADC has managed to add value in the sector policy dialogue by specializing on certain sub-sectoral or cross cutting issues, but the question is whether engagement was based on particular comparative advantages. Except for water & sanitation, feedback by most respondents both within ADA (Vienna & coordination office) and other development partners highlighted that ADC is not perceived to have a particular comparative advantage in the JLOS sector or in decentralisation, although it is recognized that ADC has long-standing engagement in both sectors. ADC could, however, have invested more to build its comparative strengths in both sectors by investing more heavily in staff capacities in the field offices, stimulating greater learning and sharing of field experiences within ADA and possibly supporting this by seeking more specific technical expertise and support, for example, through strategic alliances with centers of excellence (research institutes, consultancy services). Moreover, engagement in the JLOS sector is highly political, given the nature of the sector, and the presence of an ambassador could have strengthened Austria's comparative advantage to transcend beyond the technical policy dialogue level. Especially, if ADC considers to assume a lead donor role in the JLOS sector in the future, greater support to the Coordination Office for the political

dialogue would be essential. Also, ADC will be expected to assume more (partial) lead responsibility in the water sector if budget support is started in this sector.

Fifth, weaknesses at procedural and organizational level have hampered the role of ADC in the policy dialogue. Engagement in budget support highlights the need for more decentralised aid management to create more responsive services in an environment with more donor coordination, harmonisation and alignment and stronger engagement in the policy dialogue. ADA is currently highly centralised with very little delegation of financial and technical roles & responsibilities to the field offices and limited staff resources in the field. It will be essential that any future strategy takes into account the needs arising from Austria's role in the policy dialogue around budget support. The ADA Work Programme 2009 seems to recognise that aid effectiveness, donor coordination and the policy dialogue with partners requires more decentralised structures and authorities.

A final weakness is the difficulty of ADC to plan country programme funding, irrespective of the modality, beyond one year. Experiences in Uganda have shown that applied practices contribute to less predictable funding and higher transaction costs for the partner government and ADC.

Overall, we see a mixed picture for the value added of Austria in its budget support operations in Uganda. The commitment, determination and capacities of individual staff at the Coordination Office, ADA headquarters and MFA has contributed strongly to the positive achievements. But as Austria's engagement with budget support is becoming more mature, ADC has become confronted with not less developed policies and procedures and with weaknesses at organizational level. This amplifies the need for more strategic and operational guidance and further exchange of lessons learned on budget support.

Annexes

Annex 1 Staff line Uganda Coordination Office, 2006-2010

Staff & role	International/ National	2006	2007	2008	2009	2010
Head of Office (FB)	International	FT	FT			
Head of Office (WE)	International		FT	FT	FT	FT
Programme Officer Governance (WE)	International	FT	FT			
Programme Officer Governance (CJ)	International		FT	FT	FT	FT
Programme Officer W&S (RB)	International	FT	FT	FT	FT	
Programme Officer W&S (HS)	International				FT	FT
Programme Officer Private Sector (ZA)	National	FT				
Programme Officer Private Sector (SB)	National	FT	FT			
Head of Administration (UP)	National	FT				
Head of Administration (PK)	International	FT	FT	FT	FT	
Head of Administration (MK)	National				FT	FT

Note: FT = full time.

Annex 2 Programme Cycle JLOS

Phase	Steps	1/7/2006 – 30/6/2007	1/7/2007-30/6/2009	1/7/2009-30/6/2011
Programming & Analysis	Identification & country analysis	March 2006		
	Approval & commitment	End of 2006		
Formulation & implementation	Signing of Joint / Bilateral Agreement	December 2006		
	Payment:			
	Amount committed	EUR 500.000	EUR 3.500.000	EUR 3.500.000
	Amount disbursed	EUR 500.000 (Dec 2006)	Disbursement in 4 tranches: First tranche: EUR 1.500.000 (Nov '07) Second tranche: EUR 700.000 (April '08) Third tranche: EUR 800.000 (Nov '08) Fourth tranche: EUR 500.000 (May '09)	Disbursements in two tranches: EUR 1.800.000 (paid end 2009) Second tranche scheduled for 2010 of EUR 1.7 million.
Follow up	M&E (e.g. sector reviews)	M&E takes place through the Annual progress reports in the framework of the Joint GOU and Donor reviews, in June of the FY.		
	• Timeliness acc. to MOU:	✓ (June '07)	Late (December '08 and '09)	n.a.
	• Results of sector review:	Satisfactory	Satisfactory	n.a.
	Financial audit: • Timeliness:	Late For the FY 2005/6 (October 2007) For the FY 2006/7 (July 2008)	✓ For the FY 2007/8 (March 2009)	n.a.
	• Results of financial audit:	Satisfactory, but DPs have requested clarifications around qualified audit opinions and GOU has been working towards a JLOS Financial Management Strategy.		n.a.

Phase	Steps	1/7/2006 – 30/6/2007	1/7/2007-30/6/2009	1/7/2009-30/6/2011
	Regular Reporting by Coordination Office to ADA HQ	✓	✓	n.a.
Exiting	Withdrawal decision	No withdrawal	No withdrawal	No withdrawal

Annex 3 Programme Cycle LGSIP

Phase	Steps	2006/7	2007/8-2008/9
Programming & Analysis	Identification & country analysis	March 2006	
	Approval & commitment	01.12.2006	
Formulation & implementation	Signing of Joint / Bilateral Agreement	Joint Financing Agreement signed: 14/12/2006, Bilateral agreement signed: 19.12.2006	
	Payment:		
	Amount committed	1.300.000	2.600.000
	Amount disbursed	1.300.000 (1/12/2006)	First tranche: EUR 1.300.000 (in 2008) Second tranche: EUR 1.300.000 (not paid in 2009)
Follow up	M&E (e.g. sector reviews)	Joint Annual Review of Decentralisation. Findings presented in December of the FY	
	• Timeliness:	✓	✓
	• Results:	Satisfactory	Increasingly unsatisfactory
	Financial audit:		
	Timeliness	delayed (Audit report 2006/7: March 2009)	delayed (Audit report 2007/8: Sept. 2009)
	Results	Satisfactory but various areas required improvement	(not yet analysed)
	Regular Reporting by Coordination Office to ADA HQ	✓	✓
Exiting	Withdrawal decision	✓	✓

Annex 4 List of interviews conducted

Name	Function	Institution
Coordination Office		
Walter Ehmeir	Head of Cooperation	Coordination Office
Christine Jantscher	Programme Officer Governance & Deputy Head of Cooperation	Coordination Office
Government of Uganda		
Sam Wairagala	M&E	JLOS Secretariat
Maxwell Akora	Financial Management	JLOS Secretariat
His Worship Mr. Henry Adonyo	Chair	JLOS Technical Committee
Mr. Patrick Mutabwire	Commissioner for Local Councils	Ministry of Local Government
Mr. John Muhangizi	Permanent Secretary	Ministry of Local Government
Mr. Obed Obella	Commissioner Aid Liaison	Ministry of Finance
Timothy Lubanga	Assistant Commissioner for Coordination and Monitoring	Office of the Prime Minister
Samuel A. Amule	Commissioner District Inspection	Ministry of Local Government
Muhumuza Ntacyo Juvenal	Senior Economist/Finance Officer Aid Liaison Department	Ministry of Finance
Donors		
Kevin Carroll	Head of Development	Irish Embassy
Sarah Callaghan	Governance Programme Officer	Irish Embassy
Daniel Iga	Public Sector Programme Officer	Irish Embassy
Peter Michael Oumo	Economist	Irish Embassy
Joyce Ngaiza	Governance Programme Officer	Netherlands Embassy
Charles Drazu	Governance Programme Officer	Netherlands Embassy
Ludo Rochette	Head of Development	Belgian Embassy
Jennifer Bukhoke	Programme Officer	UNCDF
Christine Johansson	Head of Development	Swedish Embassy
Kate Wedgwood	Deputy Head of Development	DFID
Matthew Greenslade	Economic Adviser	DFID
Donald Rukare	Coordinator	Human Rights and Good Governance Programme (EU Funded)
Civil Society		
Michael Otim	Programme Manager	International Centre for Transitional Justice
Ashanut Okille	Managing Director	Akijul

Annex 5 Literature

ADA, Bericht 1.10-31.12.2009.

ADA Statistics.

Austrian Development Cooperation, Budget Support Strategy, Vienna, December 2009.

Austrian Development Cooperation, Country Programme Uganda 2003-2005, Vienna, 2002.

Austrian Embassy – Development Cooperation, August 08 Update – Disbursements to LGSIP Basket 2006-2009.

Austrian Embassy - Development Cooperation Uganda, Austria's Development Cooperation with Uganda, not dated.

Austrian Embassy - Development Cooperation Uganda, Budgetberechnungen January 2010.

Austrian Ministry of Foreign Affairs, Strategieentwicklung, not dated.

AV, GZ: 1831-00/2006/1-LR/2006.

Danish Ministry of Foreign Affairs, Programme document Danida support to public sector management reforms in Uganda, February 2007 – December 2010, January 2007.

DFID, Uganda Country Fact Sheet.

Evans, A. and Sentongo, P., Review of the Uganda Joint Assistance Strategy – Current and Future Prospects, 29 January 2009.

Federal Ministry for European and International Affairs, Three-Year Programme on Austrian Development Policy 2006-2008, Revised version 2006, Vienna.

Government of Uganda, Joint Assessment Framework, 5 October 2009.

Government of Uganda, Medium-term expenditure framework 2009/10-2014/15, (excl. Energy savings, arrears, and non-vat taxes).

Government of Uganda, Uganda Demographic and Health Survey, 2006.

Government of Uganda, Uganda Joint Assistance Strategy, 2006.

IMF, Uganda: Sixth Review Under the Policy Support Instrument and Request for an Extension of the Policy Support Instrument—Staff Report, January 2010.

JLOS, Annual Progress Report 2008/2009, December 2009.

Ludwig Boltzman Institut fuer Menschenrechte, Analysis of the Justice, Law and Order Sector (JLOS) Strategic Investment Plan II, 2006/7 – 2010/11, Uganda (Final Draft, April 2006).

Ministry of Local Government, Local government sector investment plan (LGSIP) 2006-2016.

Ministry of Local Government, The Fifth Joint Annual Review of Decentralization (JARD), December 2008. ¹ Austrian Embassy & Development Cooperation, August 08 Update – Disbursements to LGSIP Basket 2006-2009.

Republic of Uganda, Justice law and order sector (jlos) strategic investment plan II 2006/7- 2010/11.

ODI, Interim Report of the Uganda Donor Division of Labour Exercise, March 2007.

OECD-CRS Aid Activity Database (OECD.stat).

OECD/DAC, 2008 Survey on Monitoring the Paris Declaration Country Chapter – Uganda.

OECD/DAC, Joint evaluation of general budget support 1994–2004, Country Report Uganda, May 2006.

OECD/DAC, Peer Review Austria, 2008.

OECD's DAC Database.

UNDP, Human Development Report 2009.