Final Evaluation of Uganda's Second National Development Plan

(NDP II 2015/16-2019/20)

DEVELOPMENT PARTNERSHIPS

Draft Report

JULY 2022

Acknowledgement

This report is an independent evaluation of Uganda's National Development Plan (NDP II) that was implemented between FY 2015/16 and FY 2019/20 on **the theme of Development Partnerships.** The overall objective of this evaluation was assessing the extent to which the NDP II delivered on its intended purpose in the preview of the contribution made by development partners, the private sector, Nongovernmental organizations (NGOs) and Civil Society Organizations (CSOs) among other partners. This evaluation was commissioned by the National Planning Authority and was conducted between May and August 2022. We thank all stakeholders that contributed their time, views and documentation that informed this evaluation including development partners and NGOs that responded to the on-line survey. This report will inform the implementation of on-going third NDP FY 2020/21- FY 2024/25.

Acronyms and Abbreviations

ACODE	Advocate Coalition for Development and Environment
CRRF	Comprehensive Refugee Response Framework
CSBAG	Civil Society Budget Advocacy Group
CSOs	Civil Society Organizations
DAC	Development Assistance Committee
DPs	Development Partners
EAC	East African Community
EDB	Ease of Doing Business
EU	European Union
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
LDPG	Local Development Partners' Group
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoU	Memorandum of Understanding
NDP	National Development Plan
NDR	National Development Report
NGOs	Non-Governmental Organizations
NPA	National Planning Authority
NPF	National Partnership Framework
NRM	National Resistance Movement
OECD	Organization of Economic Cooperation and Development
OP	Office of the President
OPM	Office of the Prime Minister
UDN	Uganda Debt Network
UGX	Uganda Shillings
UK	United Kingdom

UNDP	United Nations Development Program
URA	Uganda Revenue Authority
USD	United States Dollars
WB	World Bank

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Executive Summary

About the Evaluation of Development Partnerships Theme

Uganda is implementing its Vision 2040 to be realized through six National Development Plans the second of which (NDP II) was implemented between FY 2015/16-2019/20. The final evaluation of NDP II is under six thematic areas which include: economic management, political economy, results management, policy and strategic direction, development partnerships and institutional framework. This report is on the final evaluation of the theme on development partnerships. The objectives of the final evaluation of NDP II under this theme were to assess:

i. Ownership of development priorities by Government

ii. Alignment of aid to national priorities

iii. Donor harmonization and division of labor

iv. Transparency and mutual accountability

v. Management for results

vi. Inclusive partnerships that leverages the contributions of the private sector and CSOs.

Methodology

The methodology for the final evaluation of the theme of Development Partnerships under NDP II combined both the OECD-DAC evaluation criteria and the reference to the Busan Conference on aid-effectiveness that aligned evaluation of this aspect on five pillars namely: ownership, alignment, donor harmonization/division of labor, transparency and mutual accountability and management for results. It also included assessment of the contribution made by the private sector, NGOs and CSOs. In order to reach various stakeholders and ensure a representative sample, the team utilized administrative data from various categories out of which a sample of respondents were obtained. From development partners, a sample was drawn from both traditional and non-traditional donors. Most traditional donors are already coordinated under their Local Development Partners Group (LDPG); the non-traditional donors were reached bilaterally. Purposive sampling design was used to reach key CSOs. A combination of qualitative and quantitative methods was adopted for data collection and analysis. Data was collected using an online survey (using KOBO collector) and triangulated with prior analyzed desk review of documents, reports, journals and analysis of interview notes from various related stakeholders.

Situational Analysis

The NDP II had envisaged to be financed by both public and private resources, with about **57.8 percent** coming from Government and additional **42.2 percent** from the private contributions including external financing and domestic financing. **External financing** for the NDP II included: budget support, concessional loans, semi-concessional borrowing, non-concessional borrowing; Domestic **financing** included bank financing, Bank of Uganda, Commercial Banks; and non-banking financing. **Other non-public sources** of financing include Public Private Partnerships (PPP), direct private sector investments (domestic and foreign) and CSO contributions. The non-concessional financing was limited to projects with capacity to payback. Trends in development assistance to Uganda over the NDP II period showed **a slump in provision of grants** (mainly from traditional donors) **and spike in concessional and non-concessional loans** especially from non-traditional donors. The share of the external financing for NDP II was an average outturn of 29.3% compared to current 22.6% so far under NDP III. The private sector in Uganda played a key part in the delivery of the NDP II outcomes and it:

i. Is the base for over 1.1 million Micro, Small and Medium Enterprises (MSMEs);

ii. Altogether generated 77% of formal and informal jobs;

iii. Contributed 64% to GDP;

iv. Funded 60% of all investments; and

v. Provided more than 80% of government domestic revenues.

Under the NDP II Government elaborated a National Partnership Policy – a process that was led by the Office of the Prime Minister. The policy iterated an **institutional framework that defined the roles and responsibilities** in managing development assistance.

Findings, Conclusions and Recommendations

The evaluation of NDP II under the theme of Development Partnerships makes the following conclusions and recommendations:

Ownership

While Government is in ownership of its own national development process through the NDP, more needs to be done to establish a deliberate and streamlined process that defines a ray of partnerships needed to support the plan's implementation. The lesson learned is that with various partners willing to support the plan from their own interest, Government will need a framework that rallies partnerships specifically to areas unfunded and critical to the national development process. Most stakeholders feel that this role can be most suitably performed by the Office of the Prime Minister as the lead working with the NPA and MoFPED.

Alignment

The last year of the NDP period (FY 2018/19) could have been ideal for the preparation of NDP III to pool together various country assistance strategies, memoranda, plans or agenda. This analysis could also be done from consultations with private sector, NGOs and CSOs (through their umbrella organizations) as well as other non-state actors (including academia, research and analysis of Government's own performance reports). This analysis would then support preparation of the longer term budget framework paper and sketch a preamble to economic modelling and initial predictability needed for NDP III. This would present the first critical step towards alignment. Donor partnership planning cycle (and the timing of it) could be aligned with the GoU budget calendar (as guided by the PFM Act). This would indicate their long-term financial envelope aligned with budget framework. Sector-level processes could be supported to play this role and inform the respective program heads. In the current context, this could start two years prior to the subsequent plan.

Division of Labor and Donor Harmonization

The DoL process collapsed under the NDP II. To rejuvenate it, there is need to urgently set up a dialogue with development partners (beginning with those under LDPG) on the bare minimum target NDP priorities and later engage non-traditional donors on what appropriate targets might be, and identify potential gains both for GoU and for development partners. In this regard, the DoL can be rejuvenated not as a requirement but as a planning tool – NPA could play active role in this process. It is important that DoL is done as the NDP IV is drafted so that there is shared understanding of the benefits and can be built and committed to before the actions are broken down to individual donors and become tangible. In order to support donor harmonization, the process on going to review the partnership policy should critically look into setting up a stronger collaboration framework between the Government and development partners with an agreement on the appropriate mode of collaboration.

Mutual Accountability

The fact that there was no strong enforcement of joint GoU and Donor Budget Calendar, mutual accountability remained a challenge. Government consultations with DPs (on program reviews, prioritization, planning and medium-term commitments) remained weak. Joint monitoring and reporting system is required so that there is readily available information on performance of GoU in utilizing aid. On the other hand, DPs will be required to share routinely the performance of support to GoU and how this support is aligned to the NDP. Most stakeholders recommended that current certificate of compliance reporting to Parliament by NPA could also include a section for development assistance. There is a need to accelerate the use of aid management platform (AMP) to improve aid transparency and the government's ability to manage development assistance in support of the NDP.

Recommendations for NDP III

There is an erosion of faith by most development partners in Government systems. With this reality, there is projected diminishing of provision of grants and on-budget support towards more 'commercial' concessional loans – that will worsen the debt position under NDP III. In order to restore this confidence in government systems, the following six aspects need to be seriously and expeditiously addressed:

a) Address the issues of **good governance** (including human right violations, gender and development, tolerance of divergent political views, fair and just application of the law, electoral reforms, expanding social protection, refugee action and climate governance).

b) **Address public sector corruption** right from procurement systems (where it begins) up to contract implementation and weaknesses in oversight mechanisms – and limitations in implementing recommendations of the Auditor General Reports.

c) Eliminate excesses and wastages in public spending – a key issue of concern was the **supplementary budget** seen as a blatant abuse of the ethos of the PFM Act (2015).

d) Ensure more alignment of the national budget to the NDP – in as much as there is a stuck reality that the ruling party manifesto takes precedence in some appropriations. The best way is to **implement recommendations of the NPA Certificate of Compliance** reports that are annually submitted to Parliament

e) **Address debt** by implementing government commitments under the National Debt Sustainability Strategic Framework

f) **Fair, Open and Transparent PPP arrangement** to attract private equity, venture capital and other financing arrangements from the private sector. Currently the PPP arrangement remains 'closed' and benefiting only a few investors and not partners parse. While this is done, PPP arrangements could suit unfunded areas of the plan where the private sector expresses interest.

g) Lastly, there are partnerships in the NDP implementation framework should accommodate more explicitly for the contribution of **political parties** not only at consultation but also during reviews, dialogues as the plan is implemented. Such a framework could serve enlist contributions of **traditional and cultural institutions**, **academia and research institutions as well as media** – who are partners in the development spectrum (also widely referred to as the 4^{th} estate).

Chapter 1: Background and Methodology

1.1 Background to NDP II Final Evaluation

1. Government of Uganda put in place its Vision 2040 with an aim to achieve *a transformed Uganda society from peasant to a modern and prosperous country within 30 years*. This vision is being realized through the implementation of six (6) phased development plans. The second of these plans – the second national development plan (NDP II) was implemented between FY 2015/16 and FY 2019/20. The theme of this plan was '*strengthening Uganda's competitiveness for sustainable wealth creation, employment and inclusive growth'*. The NDP II had the following four main objectives:

   i) Increasing sustainable production, productivity and value addition in key growth opportunities;

   ii) Increasing the stock of quality of strategic infrastructure to accelerate the country's competitiveness;

   iii) Enhancing human capital development; and

   iv) Strengthening mechanisms for quality, effective and efficient service delivery.

2. According to the vision 2040, paragraph 41b, the sources of funding to implement the national vision were to include: tax and non-tax revenues, public private partnerships, concessional loans and grants from development partners as well as borrowing from domestic and international markets. The macroeconomic strategy for NDP II was underpinned by the purpose of maintaining macro-economic stability and the need to raise resources to finance the deficit. This is why Government required the contribution of development partners, private sector, NGOs and CSOs and well as all actors to support its implementation.

1.3 Objectives of the NDP II Evaluation

3. The NDPII was designed to be implemented based on nine fundamental principles articulated in the Uganda Vision 2040, namely: ownership, political will; good governance; resource availability; balanced development; behavior change; linkage with the national planning processes; sustainable and equitable development; and effective implementation, monitoring and evaluation mechanisms. The final evaluation of NDPII is under six thematic areas which include: economic management, political economy, results management, policy and strategic direction, development partnerships and institutional

framework. This report is on the final evaluation of the theme on development partnerships. The specific objectives of the final evaluation of NDP II under this theme are to assess:

i) Ownership of development priorities by Government;

ii) Alignment of aid to national priorities;

iii) Donor harmonization and division of labor;

iv) Transparency and mutual accountability;

v) Management for results;

vi) Inclusive partnerships that leverages the contributions of the private sector and CSOs.

1.4 The Scope of Development Partnerships under NDP II

4. The contribution of development assistance by bilateral and multilateral agencies has been important in the development of the Ugandan economy. Development assistance however has been on a declining trend since the NDP I was implemented. This is partly explained by the move away from the historical areas of interest by the donors which included social sectors particularly in the areas of health and education to infrastructure development. This has also changed the entire donor partnership framework that was earlier relied on to getting more financing from non-traditional sources especially Japan and China to finance infrastructure.

5. The trend where donors continue to support the NDP I using off-budget mechanisms has also come with challenges for government to ensure that all resources are aligned according to its priorities. This has hindered the effectiveness of development assistance in contributing to the country's development agenda. The NDP II was therefore designed to provide the basis for determining what type and quantity of development resources are required, and in which priority areas.

6. Against this background the scope of development assistance under the NDP II was mainly:

i) provision of technical assistance

ii) support through on-budget contributions

iii) support through off-budget and project support

iv) provision of concessional and non-concessional loans

v) extension of grants

vi) execution of public private partnerships

vii) other bilateral and multilateral support though mutual agreements and MoUs

1.5 Evaluation Methodology

7. The methodology for the final evaluation of the theme of Development Partnerships under NDP II combined both the OECD-DAC evaluation criteria[1] and the reference to the Busan Conference on aid-effectiveness that aligned evaluation of this aspect on five pillars namely: ownership, alignment, donor harmonization/division of labor, transparency and mutual accountability and management for results.

1.5.1 Scope of the Evaluation

8. This evaluation covered the period 2015/16- 2019/20 and tackles only the aspects of development partnerships although this was enhanced to include private sector and CSOs contributions.

1.5.2 Sampling Design

9. In order to reach various stakeholders and ensure a representative sample, the team utilized administrative data from various categories out of which a sample of respondents were obtained. From development partners, a sample was drawn from both traditional and non-traditional donors. Most traditional donors are already coordinated under their Local Development Partners Group (LDPG); the non-traditional donors were reached bilaterally. Purposive sampling design was used to reach key CSOs that included: ACODE, CSBAG, UDN and Akina Maama Wa Africa among others. On the side of Government, the key sampled government institutions included: Office of the President, Office of the Prime Minister, Ministry of Finance Planning and Economic Development as well as the National Bureau for NGOs. In addition, purposively the following private sector umbrella organizations were consulted:

   i) Uganda Manufacturers Association;

   ii) Private Sector Foundation Uganda.

10. For NGOs and Civil Society, the following organizations participated in the survey:

   i) Uganda NGO Forum
   ii) Civil Society Budget Advocacy Group
   iii) Uganda Debt Network
   iv) Advocates Coalition for Development and Environment

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1 Organization of Economic Cooperation and Development – Development Assistance Committee. This committee spelt out the key themes of this criterion to evaluate development work including: relevance, coherence, effectiveness, efficiency, impact and sustainability.

1.5.3 Study Tools

11. Online structured questionnaires containing both close and open-ended questions were drafted based on the assessment of the desktop review from the availed reports and preliminary reviews. The consultant, in consultation with the NPA, used separate survey questionnaires were uploaded on **Kobo collector**, one for development partners and two for civil society organizations. **Kobo collector** was beneficial for easier access and convenience for the stakeholders to participate in the evaluation. The questionnaire for development partners (DP) covered four aid effectiveness thematic areas of ownership, alignment, division of labor and DP harmonization, mutual accountability and management of results. On the other hand, the CSO tool reflected on the level of engagement of CSOs, the programmatic interventions towards NDP as well as the opportunities and challenges for their engagement. Semi-structured questions were also disseminated to the Office of the Prime Minister, MoFPED and Private Sector Umbrella organizations (Private Sector Foundation Uganda, and Uganda Manufacturers Association). Respondents to the Kobo collector on-line tool are annexed to this report.

1.5.4 Study limitations and mitigation mechanisms

12. The assignment was conducted concurrently with the mid-term review of the NDP III. In an attempt to minimize respondent fatigue, questionnaires for both final evaluations of NDP II and mid-term review of NDP III were sent out together. This to a limited extent limited breadth in analysis of performance of both plans. Other limitations included the following:

    i) **Limited responses from development partners**: While the evaluation focused on both traditional and non-traditional partners, there was only one respondent from the non-traditional donors. The online survey was sent out at a time when most missions and embassies had staff mostly away on summer leave (that takes place between June and July).

    Mitigation Mechanism: The evaluation team worked with NPA in following up on the sampled stakeholders. Those who could not respond were provided more time till the end of July 2022 which lead to increase in the response rate.

    ii) **Limitations in accessing up-to-date data**: The data resources were limited in terms of access but also in generating latest data to enable comparison due to Covid-19 pandemic. As a result of the pandemic most of the studies that had been commissioned in 2020 were all deferred (this is why most data for 2019/20 is missing in the analysis).

Mitigation Mechanism: The team relied on retrospective trends before and extrapolations therein for comparison purposes due to lack of baseline data for development partners makes it difficult to measure impact of NDP II. The team utilized UBOS statistical abstract for 2020 to generate projections of progress (inasmuch this was curtailed by the COVID-19 pandemic that began at the end of the NDP II.

Table 1: Evaluation Methodology Summary

Evaluation Phases	Methodological Stages	Deliverables
1. Planning Phase	• Agreeing with NPA teams (Steering Committee and Technical Committee and Reference Group on the roadmap • Collecting background information • Design of questionnaires and KII questions for development partners, private sector	• Inception Report
2. Assessment of Results	• Automation of the questionnaires • Disseminating questionnaires and data collection • Meetings will include: GoU (OP, OPM, NPA) and with Private Sector and CSOs and an online survey with Development Partners	• Situation analysis • Automated tools
3. Working for better results	• Report writing • Additional interview • Further Analysis	• Draft report • Draft presentation of the preliminary findings
4. Action Planning for Better Results	• Reviews, further Analysis and Judgments • Finalization of the Report	• Final Report include policy changes need to deliver on the NDP III partnership goals

1.6 Organization of the Report

13. This report is organized in four chapters. After this background and methodology is the chapter on the context and situational analysis. This is followed by chapters of findings – which shows the performance of development partnerships towards the delivery of NDP II. The report concluded with chapter 4 on lessons learned and recommendations for NDP III as well as attendant annexes.

Chapter 2: Contextual and Situational Analysis

2.1 Overview of NDP II

14. **Uganda's second National Development Plan (NDP II) was launched in June 2015 covering FY 2015/16 – FY 2019/20.** It is a second in a series of six five-year Plans aimed at achieving Uganda Vision 2040. It is anchored on the importance of propelling the country towards middle income status by 2020 through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth. The NDP II had the following main objectives:

    i) Increasing sustainable production, productivity and value addition in key growth opportunities;

    ii) Increasing the stock and quality of strategic infrastructure to accelerate the country's competitiveness;

    iii) Enhancing human capital development; and

    iv) Strengthening mechanism for quality, effective and efficient service delivery.

15. The NDP-II plan prioritized investments in five key growth areas including: **agriculture, tourism, minerals, oil and gas, infrastructure and human capital development**. The plan was implemented under a macro-economic framework whose objective was to maintain macro-economic stability and to raise resources needed to implement Uganda's immediate and long-term development strategy. The plan provided guidance that saw the country attain an average economic growth rate of 6.3%. This had been expected to catapult Uganda to a lower middle-income status of US$ 1,039 by 2020.

16. To finance and support the attainment of the NDP II outcomes, Government utilized resources from its national budget, contribution of her development partners and the private sector in quasi-market approach. It also mobilized contributions from non-state actors including NGOs, CSOs, academia and media (also known as the fourth estate). The NDP II had envisaged to be financed by both public and private resources, with about **57.8 percent** coming from Government and additional **42.2 percent** from the private contributions including external financing and domestic financing.

    i) **External financing** for the NDP II included: budget support, concessional loans, semi-concessional borrowing, non-concessional borrowing;

    ii) **Domestic financing** included bank financing, Bank of Uganda, Commercial Banks; and non-banking financing.

iii) **Other non-public sources** of financing include Public Private Partnerships (PPP), direct private sector investments (domestic and foreign) and CSO contributions. The non-concessional financing was limited to projects with capacity to payback.

17. Overall, the NDP-II recognized the important role of Development Assistance in financing the development priorities. However, it puts more emphasis on mobilization of private funding. The NDP II period saw a decline in on-budget support from development partners towards off-budget and direct project support, the collapse of the Joint Assistance Framework (JAF) and move towards (bilateral) concessional loans with emergence of China as a key partner in this regard.

2.2 Development Partnership Engagement in NDP II Preparation

18. During the design of NDP II, Government led by Ministry of Finance, Planning and Economic Development (MoFPED) and the National Planning Authority (NPA) organized a series of meetings with Uganda's leading traditional and non-traditional development partners and gathered views and inputs into the plan. United Nations Development Program (UNDP), German Development Cooperation (GIZ), European Union Delegation to Uganda (EU), UK Aid (as it was called at the time) and the World Bank supported various aspects of the NDP II process. For instance:

i) UNDP supported NPA to develop annual National Development Reports (NDR) for all the years of the NDP II period including drafting of NDP III that began in FY 2018/19;

ii) UNDP supported the mid-term review of NDP II

iii) EU supported both the evaluation of NDP II with topical diagnostic studies as well support to NPA M&E processes in preparation for NDP III

iv) GIZ supported the reviews of NDP II through provision of technical support through thematic papers on cross cutting issues including green growth

v) The World Bank through its country memorandum commissioned studies whose information supported various aspects of national planning. The World Bank as well as UK Aid were key actors in the design of the National Partnership Policy that was finalized before the commencement of NDP II in 2014.

2.3 Development Partnerships' Arrangements in NDP II

19. Unlike the NDP I, NDP-II did not explicitly state the partnership framework envisaged over the NDP-II period and beyond. The plan alluded to development partnership in terms of financing arrangements but did not prescribe the various forms of engagements Government would have with development partners as the National Partnership Policy had spelt out.

20. This lack of clarity built a challenge in mobilizing development partners, the private sector, NGOs and CSOs in their contribution to specific aspects of the plan. It wasn't surprising, therefore, that key processes like alignment, division of labor and donor harmonization declined over the NDP II period.

2.4 Institutional Arrangements for managing development assistance

21. Under the NDP II Government elaborated a National Partnership Policy – a process that was led by the Office of the Prime Minister. The policy iterated an **institutional framework that defined the roles and responsibilities** in managing development assistance as follows:

i) **The Office of the Prime Minister (OPM)** was to be responsible for the overall PP coordination, and monitoring and evaluation. OPM was to supervise and lead discussions with DPs on the design and implementation of development cooperation and will oversee donor harmonization as well key aspects of mutual accountability and managing for results.

ii) **The Ministry of Finance, Planning and Economic Development (MoFPED)** was to be responsible for mobilizing financial resources and managing them in manner that promotes economic growth and development. It was tasked to take the lead in development cooperation negotiations and thereafter the disbursement and reporting of development cooperation.

iii) **The National Planning Authority (NPA)** was to be responsible for preparing comprehensive national development plans and guiding the planning process. It was tasked to play a key role in identifying NDP financing needs and in monitoring the implementation of the NDP.

iv) **MDAs** were to formulate and implement NDP programs within the context of development cooperation and be required to effectively utilise, record and account for expenditure of financing received.

22. In order to strengthen joint policy dialogue as foreseen in the Partnership Policy, Government and Development Partners agreed on the implementation arrangements outlining the framework for partnership dialogue. To maximise alignment with NDP and minimise transaction cost the, partnership dialogue was aligned to the national planning, budgeting and reporting cycle and managed using existing Government policy-making structures and processes. Specifically;

i) The highest level of consultation coordinated under the **National Partnership Forum (NPF),** chaired by the Prime Minister and attended by Minister, Ambassadors, Head of Development cooperation to discuss policy issues pertaining to promoting development assistance effectiveness and mutual accountability.

ii) The NPF was supported by the **Partnership Task Force** chaired by the Permanent Secretary, Office of the Prime Minister to prepare the NPF and follow-up agreed actions and implementation of the Partnership Policy. Members of the task force include, OPM, MoFPED, National Planning Authority, the NGO Forum and Development Partners.

iii) At a sector level to strengthen implementation and coordination of sector strategies and policies in line with NDP, **Sector Working Groups (SWGs)** were established chaired permanent secretary of the concerned line ministry. The SWGs have been operating and major platforms for formulation and coordination of sector strategies, oversee development cooperation, promote alignment and harmonisation of development partner program at the sector level.

iv) **The Local Development Partners' Group (LDPG)** was to be a coordination forum for Development Partners in Uganda. The LDPG coordinates Development Partners' engagement with the Government on overall issues related to development cooperation and oversees the work of thematic/sectoral Development Partners' Groups (DPGs).

Following four aspects describe the situation in this context as it stood by the end of the NDP II period:

i) The National Partnership Policy as an instrument was not effective in rallying development partners to support the NDP II as evidenced by the collapse of the division of labor process, the exodus of development partners who hitherto has supported the Poverty Eradication Action Plan (PEAP) under a Joint Assistance Framework (JAF)

ii) There wasn't a clear strategy to mobilize and engage non-traditional donors;

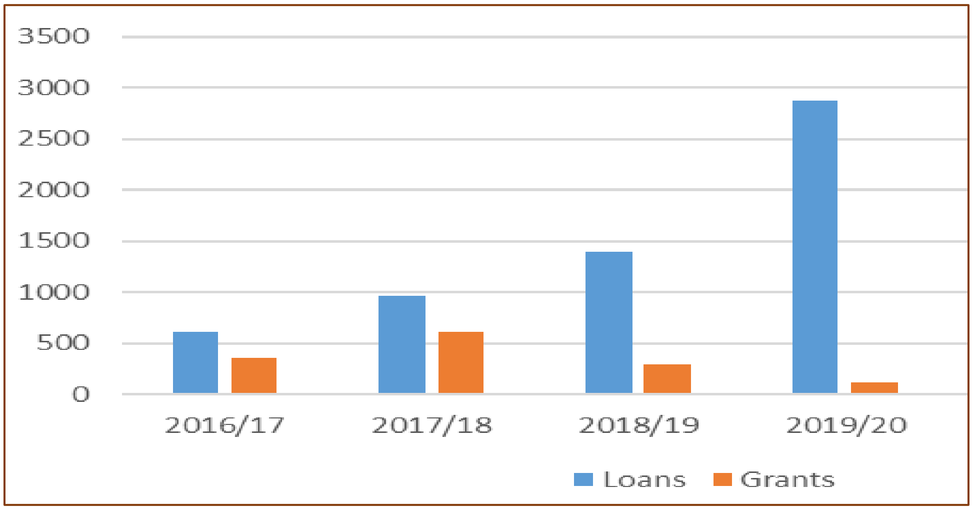
iii) OPM did not effectively implement its donor harmonization and coordination role to support the NDPII and most respondents to this evaluation felt that this role could have been better served had it kept with MoFPED.

2.5 Trends in Development Assistance

23. Trends in development assistance to Uganda over the NDP II period showed a slump in provision of grants (mainly from traditional donors) and spike in concessional and non-concessional loans especially from non-traditional donors as shown in Fig.1 The share of

the external financing for NDP II was an average outturn of 29.3% compared to current 22.6% so far under NDP III.

Figure 1: Trends of grants and loans over the period



Source: MoFPED (2021) Public Debt, Grants, Guarantees and Other Financial Liabilities

24. As shown in the figure above, the grants declined as the loan portfolio rose sharply especially in FY 2019/20. While, budget support grants remained key under NDP II, there was growing expectation that they will phase out as Uganda attains middle income status in 2020. This however was well anticipated and hence the proactive approach by Government to seek concessional loans from non-traditional donors especially China and Japan. Nonetheless, while grants have declined and are limited, grants remain the most preferred source of development finance especially for humanitarian and social protection aspects of development.

2.6 Contribution by Private Sector, CSOs, NGOs and other actors

2.6.1 Private sector contribution

25. The private sector in Uganda played a key part in the delivery of the NDP II outcomes and it:

i) Is the base for over 1.1 million Micro, Small and Medium Enterprises (MSMEs);

ii) Altogether generated 77% of formal and informal jobs;

iii) Contributed 64% to GDP;

iv) Funded 60% of all investments; and

v) Provided more than 80% of government domestic revenues.

26. The focus under NDP II was to increase the state role in supporting the private sector by:

i) Reduction of the informality of the sector,

ii) Support access to financial services by increasing in non-commercial lending to key growth sectors,

iii) Increasing the value of public contracts and sub-contracts that are awarded to local firms, so as to see an increased volume of private sector investment in key growth areas

To sum up, enhancing the private sector to drive growth will require reducing the cost of doing business, particularly increasing access to and reducing the cost of finance. Also improving timely and efficiency access to utilities and reducing cumbersome procedures will be required. Further, government policy to nurture the private sector will be critical. While these apply to the entire private sector, special focus on nurturing and supporting MSMEs will be important to deliver inclusive growth and jobs. Towards this end, Government needs to prop up winners in MSMEs to enable them surmount survival, management and financial challenges. Here a holistic implementation of the local content policy in public investments can be a powerful tool to strengthen the private sector – **with fair and clear incentive framework in an open and transparent PPP framework.**

Contribution by NGOs CSOs and other non-state actors

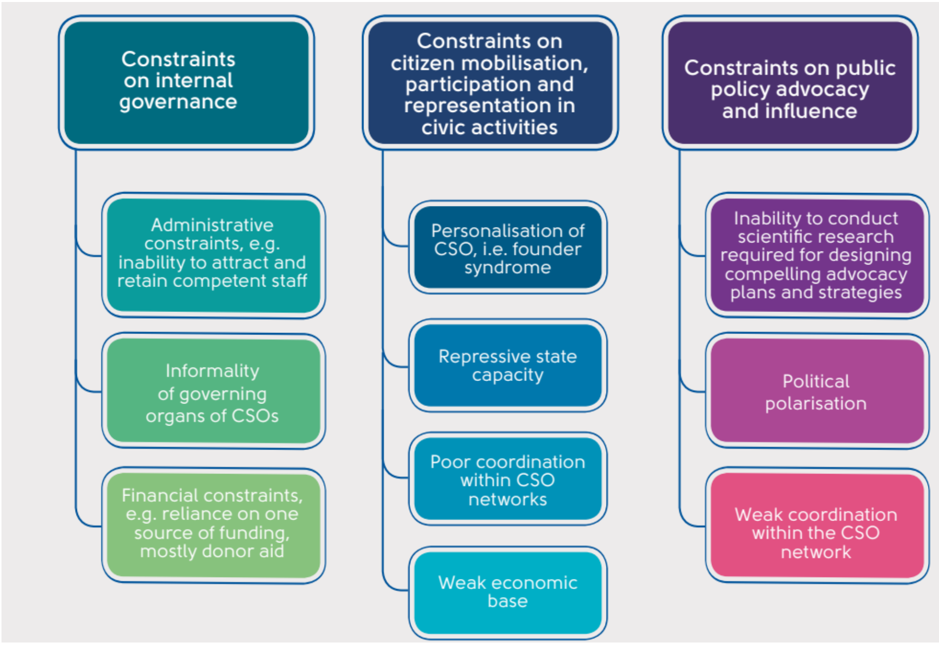
27. The NDP II has from its design, envisioned NGOs and CSOs as the new vehicle for the provision of public goods and services in partnership with the state. Over the NDP II period, there was increased prominence of NGO and CSO contribution to the implementation of the plan. **It is estimated that the NGO and CSOs sector alone contributed 28.3%[2] of all services and development work under the NDP II.** This is from both local and international NGOs and CSOs. Over the NDP II period, as donor financing increased, so did the number of NGOs that provided the public with exposure and skills, awareness and sensitization of government programs.

28. In their contribution to government programs NGOs and CSO faced significant challenges as demonstrated in the chart above including:

i) Underfunding – and high dependence on development partners;

ii) Political interference – especially with those engaged in issues of governance.

[2] Uganda NGO Forum Annual Report 2020



Source: https://www.kas.de/documents/280229/280278/Reality+Check+11+Civil+Society.pdf/c17c76f7-e3d5-40d4-a5e8-fc8af1107a5b?t=1580718867580

Chapter 3: FINDINGS – Performance of Development Partnerships under NDP II

29. Uganda's development agenda is supported mainly by national resources with support from development partners, the private sector and non-state actors (NGOs, CSOs, cultural and traditional institutions, academia and research, media and the citizenry). The NDP II had a framework to leverage these partnerships and government aimed at enhancing coordination of all stakeholders towards resource deployment in the implementation of the NDP II priorities. This chapter looks at the performance of these partnerships along the key themes of aid effectiveness.

3.1 Ownership

30. Under the Comprehensive National Development Planning Framework (CNDPF) Government through the NPA continued to exercise leadership in developing and implementing the plan to realize the Uganda Vision 2040. NDP II built on the momentum under NDP I, to rally development partners and all stakeholders to contribute to the plan. While Government is in ownership of its own national development process through the NDP, it also defined a ray of partnerships needed to support the plan's implementation namely donors, the private sector and CSOs and other non-state actors.

31. During the NDPII period, ownership as a theme of aid effectiveness had been supported by the elaboration of the National Partnership Policy in 2013. At the midterm level, of the NDP II, Government through the Office of Debt and Cash at MoFPED had begun to re-engage development partners and review the national partnership policy. The policy is being implemented under the oversight of the Office of the Prime Minister. The evaluation noted that due to limited engagements, the collapse of the Division of Labor process, and limited movement on mutual accountability, the vitality of the implementation of the partnership policy was lost and OPM was not able to implement the policy as had been intended.

32. Thirdly, whereas Government has ownership of the development planning process, it remained dependent on development assistance to implement key aspects of NDP II implementation (especially in its agenda to expand electricity and roads infrastructure) as illustrated by one of the respondents to the evaluation:

> *"We as a Government are in full ownership of the development planning process but not resources – we have to rely on donor to support key aspects of the plan. This reliance is not a given because donors also come to support us based on their own interest – not necessarily those aligned to the plan".* **Official Ministry of Finance Planning and Economic Development (MoFPED)**

33. Various development partners (especially those under LDPG) financed capacity building interventions (including technical assistance) to various MDAs in the areas of strategic planning. NPA in addition provided guidelines to MDAs on strategic planning including guidelines to LGs all these were efforts to ensure that citizens and institutions produce and own their own development planning processes. Ultimately, most respondents felt that Government over the NDP III and onwards will require a more elaborate framework that rallies partnerships specifically to areas unfunded critical to the national development process - most suitably with Office of the Prime Minister as the lead working with the NPA and MoFPED.

3.2 Alignment

3.2.1 Evaluative Assessment of Development Assistance (2010-2020)

34. Development assistance to Uganda over the NDP II period was to a large extent aligned to national development priorities inasmuch some critical projects (in education, health, tourism and private sector support) remained unfunded. Fundamentally, alignment of development assistance can only be achieved through rays of negotiated consensus (conducted by NPA) between the structure of partner contribution and NDP priorities.

35. Alignment of support to the Plan was attributed to mainly four factors:

   i) **Geo-politics at the global level** that determine which areas development partners were keen to support (refugee action, social protection and climate change)

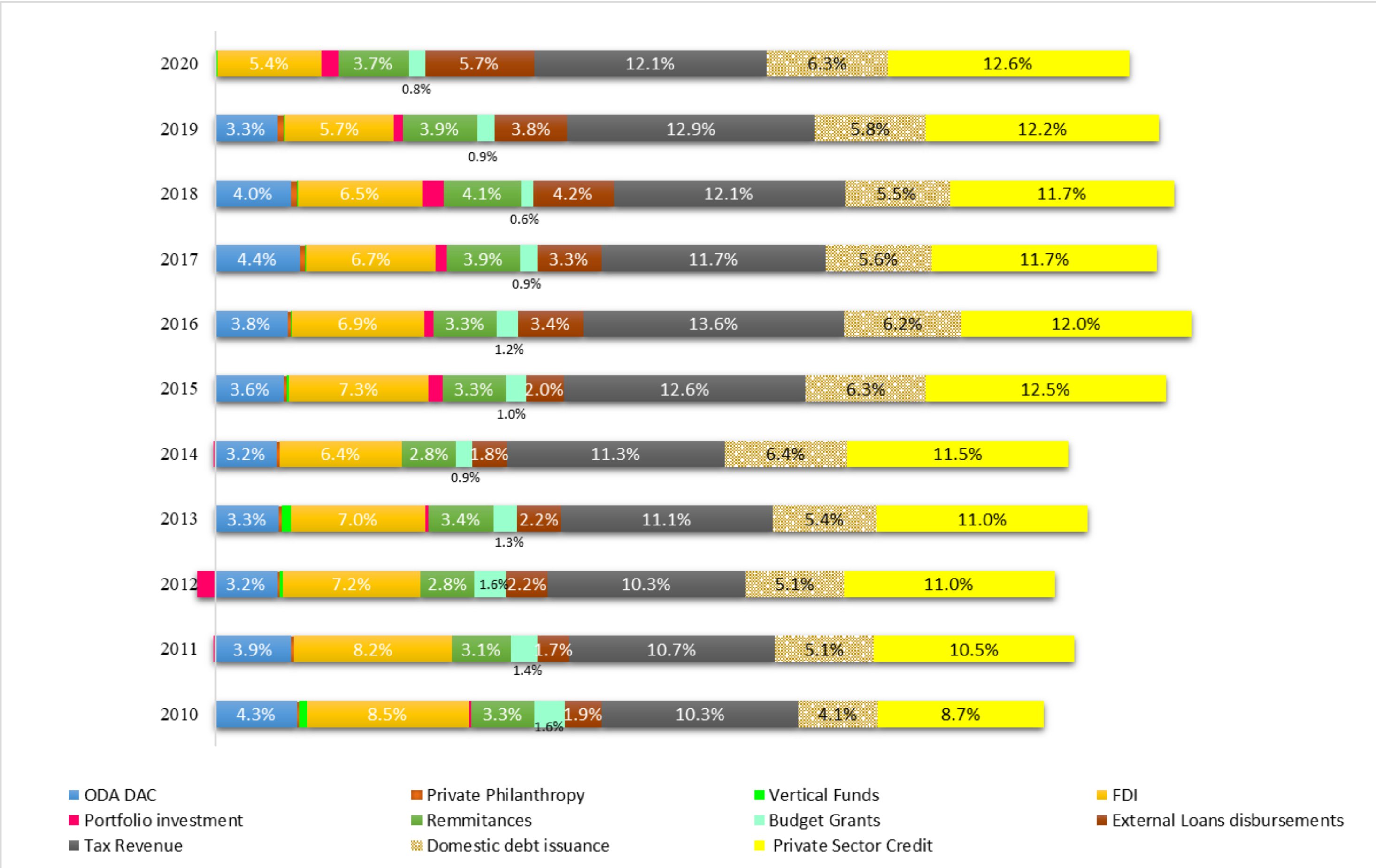
   ii) **Specific focus of development partners in areas/sphere of interest** aligned to the country's foreign policy (need to be accountable to their citizens back home).

   iii) **Erosion of faith in government financial management systems**

   iv) Changes in the performance of the global economy leading to transition from offering of grants to concessional loans

36. As show by the figure below, private sector credit and domestic debt issuance dominated support towards NDP II financing followed by FDI and Official Development Assistance (ODA).

Figure 2:Trends in Development Assistance 2010-2020



Source: OECD Aid Effectiveness Database computations for Uganda

Loans

37. External loans are a portion of a country's debt borrowed from foreign lenders including commercial banks, governments and or multilateral financial institutions. External loans are in two categories namely concessional and non-concessional. Government prioritizes concessional loans as a preferred means of development finance because of their affordability. As at end June 2021, the stock of external debt stood at USD 12.3 billion and was dominated by concessional debt constituting USD 7.1 Billion (58 percent). In addition to concessional borrowing, government sources non-concessional debt from bilateral lenders, commercial banks and Export Credit Agencies (ECAs). The growing reliance on external borrowing to meet development financing requirements in recent years, has resulted in an increase in the ratio of external debt to GDP in nominal terms, from **8.3 percent** in FY 2009/10 to 29.5 percent in FY 2020/21. The challenges associated with external loans are as follows;

i) The risk of external debt arising from an increased share of non-concessional loans.

ii) The rise in debt service costs, crowds out spending on development programs.

iii) Low absorption of loan commitments thus limiting the return on investments.

iv) Supply driven debt which often results in sourcing of loan financing for projects.

38. In order to increase access and improve utilization of loans, government will pursue the following strategies;

v) Targeting concessional financing as the preferred means of meeting government's financing requirements. However, this will not be adequate to finance all government programs and projects

vi) Non-concessional borrowing will largely be considered over the medium term, for projects that are financially and economically viable and, with rates of return higher than the finance cost of the loan.

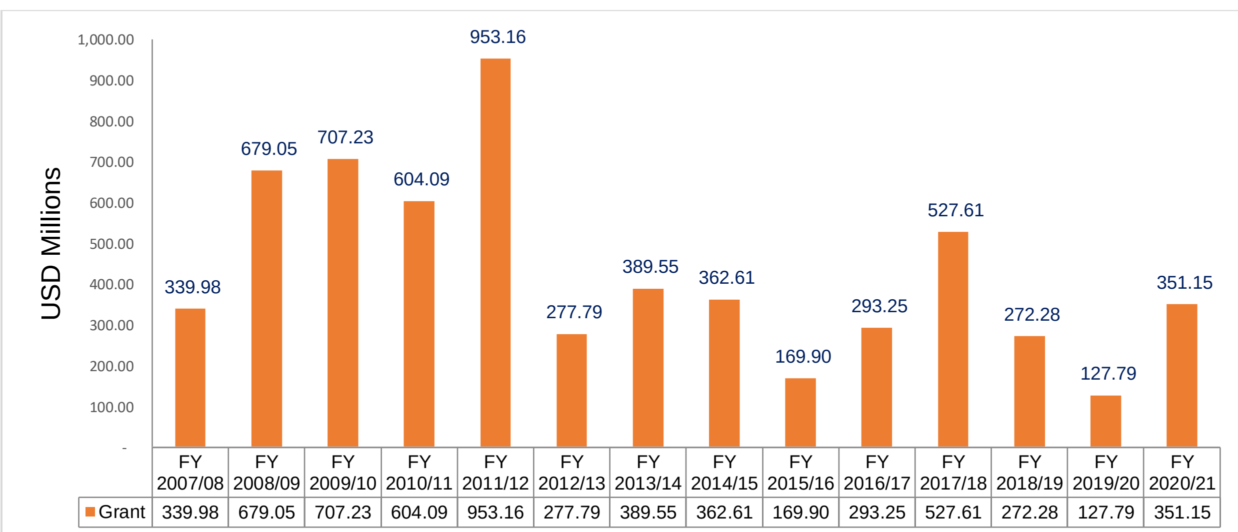
vii) Borrowing will be for ready, highly productive investments that seek to secure direct economic and financial return as well as social economic benefits

viii) Monitor undisbursed loans and this shall form part of the criteria of assessment of Sectors' new borrowing.

Grants

39. As seen from the figure below, over the NDP II period, the profile grants within overall development assistance fell from USD 527.61m to USD 127.79m. In as much as this rose in 2020/21 it was only due to only IMF support to COVID-19 response.

Figure 3: Trends in Provision of Grants



3.2.2 Other key aspects on alignment

40. Alignment, by and large, has been limited to the extent to which the national budget has financed the plan (as evidenced by the reviews of the certificate of compliance reports). This could also be enhanced to include an assessment to which development partners have financed the plan -just as was done by MoFPED through a report released in 2020[3]. This could be done (for instance every two years) and track alignment of development assistance to the plan. Other suggestions are that the National Development Report or the Government Annual Performance Report could include a chapter on the actual and planned contribution for the various actors since they are integral to the plan's implementation:

i) private sector current and projected contribution

ii) Contribution of NGOs and CSOs

iii) Role to be played or anticipated to be played by traditional and cultural institutions

iv) Academia, research and media among others.

41. If this was done on a two-year basis, it would provide a good basis for both assessment of contribution of all the partners, provide planning a drawback for projections and enhance predictability for the subsequent plan (rather than expecting them to align).

42. Lastly, development planning cycle (and the timing of it) could be aligned with the GoU budget calendar (as guided by the PFM Act). This would indicate their long-term financial envelope aligned with budget framework. Sector-level processes could be supported to play this role and inform the respective program heads. In the current context, this could start two years prior to the subsequent plan.

3.3 Donor Harmonization and Division for Labor

43. By the end of the NDP II, there wasn't any processes under DoL, nor was there any framework to assess if partners were meeting their partnership commitments. In FY 2017/18 when the LDPG assessed the DoL process, it was deduced that development partners had expressed discontent with the restrictions to the number of sectors to which they can channel the support. The process also excluded non-traditional non LDPG partners.

44. Development partners are more keen to respond to needs of their constituencies and home countries in determining the sectors they support in Uganda. Any restriction to this end send most to keep away from the process. It remains very unlikely that DoL can be

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[3] MoFPED (2020) Uganda's Development Partnership Review Report: *A country pilot of the Global Partnership for Effective Development Cooperation* Kampala Uganda

rejuvenated soon - but attempts are underway through the review of the national partnership policy to find options. This report makes the recommendations that could aid the rejuvenation of this process as shown in the text box below.

Case Study 1: CRRF Process in Uganda – Hope for Donor Harmonization

The CRRF Secretariat is responsible for implementing the Global Comprehensive Refugee Response Framework in Uganda, (and which the Uganda situation heavily influenced) and was identified by stakeholders as a good example of:

a) Coordination between GoU, humanitarian and development actors, including NGOs, INGOs, line ministries and local government and therefore more inclusive than usual,

b) GoU showing ownership and holding meetings with direct linkages to government policy, and Increased transparency of resources, with substantial data sharing.

c) Stakeholders reported several reasons for this improved level of coordination. Government of Uganda willingness and leadership of the process.

d) UNHCR resources and experience in setting up multi-stakeholder structures

e) Clear evidence-base that working collaboratively is the most effective way to manage a humanitarian crisis.

f) A willingness by donor agencies to adjust their standard procedures based on using 'emergency funding' or crisis modalities which made them much more flexible, and therefore able to reap the benefits of more inclusive partnership.

g) Substantial political and funding support, including for a secretariat with nine full-time staff.

45. Principally, donor harmonization was much constrained and weakened by:

i) The collapse of dialogue structures after 2013, especially the high-level political dialogue that brought together development partners under General Budget Support (GBS).

ii) Limited participation by development partners that often had attended coordination forums for public financial management (especially after the much publicized events in Uganda in 2014 related to human rights);

iii) Challenges related to domestic accountability, much reported absence of external control and performance assessment (most outlined in the PEFA reporting for Uganda between 2016 and 2020).

iv) Lack of a champion to drive the donor harmonization process-a role that OPM did not effectively play as was envisioned under the Partnership Policy.

46. In order to support donor harmonization, the process on going to review the partnership policy should critically look into setting up a stronger collaboration framework between the Government and development partners with an agreement on the appropriate mode of collaboration.

3.4 Transparency and Mutual Accountability

47. **NDP-II remains silent on mutual assessment and accountability.** The NDP-I clearly articulated the establishment of mechanisms through which there will be mutual assessment by government and development partners of the implementation of their commitments on aid. These mechanisms were spelt out in the Partnership Policy. However, the NDP-II remains silent for mutual assessment. Decisions are made at DP's headquarters. However, there is a need to agree on a framework on mutual accountability.

48. **However, the mutual accountability framework was provided through the NPF.** The NPF mechanism provided a context for policy dialogue and for government accountability for the achievement of targets including in its own performance assessment framework. DPs are in turn held accountable for a set of commitments in the NPF.

49. **No progress has been made to explore the mutual accountability mechanisms** being used in other countries, such as independent monitoring by a local panel of experts. Government and DPs need to come back on the table and agree on appropriate mode of collaboration and support for mutual accountability. The first call of point is to strengthen, monitor and popularise the implementation of the agreed actions arising from the NPF.

50. DPs have mentioned that the Government of Uganda has a good reporting system. This is both for projects, as well as for OAG's reports, which are publicly debated in the Parliament. However, the **delivery is an issue. Though the budget is approved, the Government cash disbursement/financing is not on time. Reporting is often done with delay.**

51. The GoU accountability has been strengthened from over the NDPII. The Government has strengthened PFM, including 2015 PFM Act, which requires more transparency.

3.5 Private Sector, NGO and CSOs Contribution

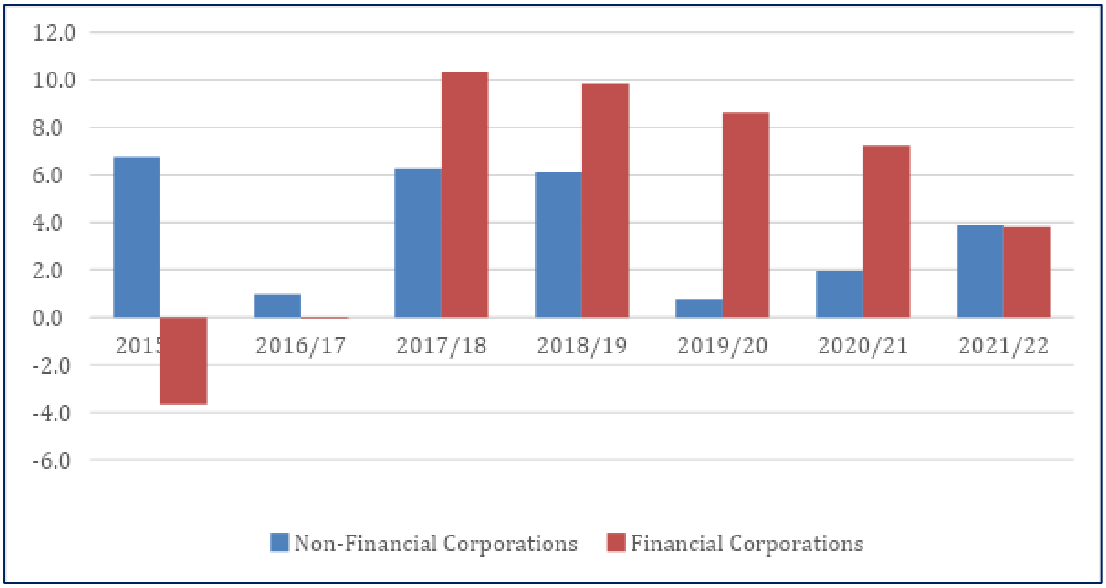
3.5.1 Private sector performance

52. The private sector over the NDP II period contributed about 64% of Uganda's GDP mostly through about 31,000 large firms/companies and over 1.1 million and Micro, Small and Medium Enterprises (MSMEs). This contribution came with about 800,000 jobs between 2015 and 2020 inasmuch 77% of these jobs were in the informal sector.

53. The private sector funded 60% of all investments; and provided more than 80% of government domestic revenues (source: National Private Sector Development Strategy progress report 2020).

54. By the end of the NDP II period, there was growth in domestic market capitalization (representing the value of locally listed companies) since it closed higher at UGX 4.33 trillion in the FY 2020/21, against a target of UGX 4.55 trillion representing a gain of 1.5%, from UGX 4.27 trillion at the close of 2019/20. As shown in the figure below, after a slump in the performance of financial corporations (related to the externalities in the global financial markets in 2015), there was a gradual improvement in the performance financial sector (though it again declined in 2020 at the tail end of the NDP II due to COVID-19 pandemic.

Figure 4: Financial and Non-Financial Corporations Performance over the NDP II period



Source: National Private Sector Development Strategy progress report 2020

Achievement of the Private Sector

55. Over the NDP II period, Government put in place measures to support the private sector including extension of farm and firm support services through institutions like:

i) Enterprise Uganda,

ii) Uganda Investment Authority (UIA)

iii) Uganda Free Zones Authority (UFZA),

iv) Micro-Finance Support Centre (MSC),

v) The National Agriculture Advisory Services (NAADS)

vi) Operation Wealth Creation (OWC)

vii) Other Schemes such as Youth Livelihoods Program (YLP) and Uganda Women Empowerment program (UWEP)

56. These programs extended a wide range of business development services through training and handholding, to a range of local firms and entrepreneurs targeting improvements in private sector capacity. Other notable achievements included:

i) Increase in the value of merchandise exports that stood at USD 4,100million in FY2020/21 against a target of USD4,011.20

ii) A significant increase in the value of contracts awarded to local contractors; from 60% to 74% (45% to residents and 31% to nationals) against the NDP III target of 60%.

iii) Jobs within foreign owned enterprises allocated to Ugandan nationals were 45% against the target of 5%.

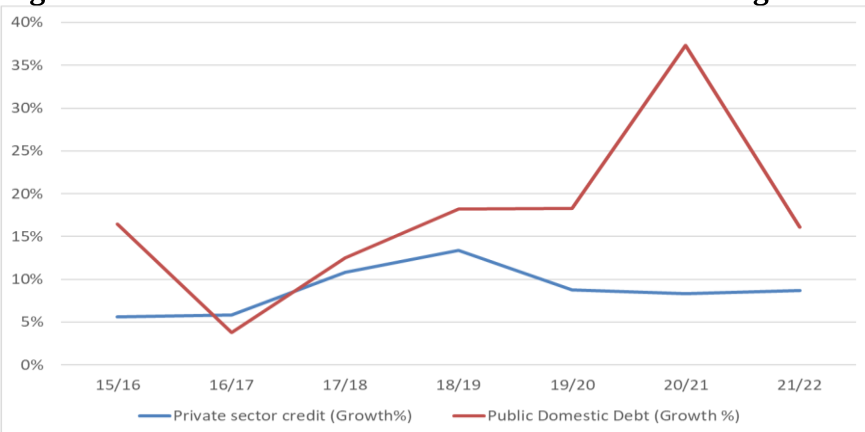
iv) UNBS was also able to develop 487 new standards to Ugandan products thus expanding the certification of local products.

v) The MoFPED in conjunction with the PPDA also began the implementation of the government e-procurement systems which will go a long way to improve transparency in public procurement and enforce the schemes for the promotion of local content.

Challenges for the private Sector

57. The high cost of doing business presented the biggest challenge to the private sector over the NDP II period. This curtailed the levels of private sector borrowing especially within a context where Government was too borrowing domestically at lower preferential rates.

Figure 5: Domestic Public and Private Sector borrowing



Source: Bank of Uganda (2021)

58. As shown in the figure above, public domestic debt outstripped private sector credit after 2016/17 and this did not recover until now. The evaluation noted that without deliberate interventions, public sector borrowing will further crowd-out the private sector during NDP III.

59. **Over the NDP II period, Uganda has registered some progress in reducing the cost of doing business**, but, there remains major financial and logistical impediments. Uganda made a 16 percent improvement in doing business environment in five years (NDPII), moving from 135th position in 2015 to the current 116th. Improvements were made mainly on contract enforcement. However, more needs to be done in starting a business; dealing with construction permits; getting electricity; trading across borders; registering property; tax payment and getting affordable credit.

i) **Majority of MSMEs (74 percent) remained constrained by access and cost of finance.** Despite the reforms made in the financial sector, interest rates in Uganda remain high (20–23 percent) comparing unfavorably to its comparators. MSMEs access to finance is limited by stringent financial requirements, particularly land collateral. This limits MSMEs' growth because they cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms.

ii) **Additionally, there remained limited options for long-term financing which forced enterprises to use short term finance (most of which are costly) for long term investments**. The limited availability of long-term finance opportunities in Uganda was as a result of three basic factors which include; **<u>low formal savings</u>**

that could be translated to long-term investments, **underdeveloped capital markets**, and **lack of financial service packages/products tailored for private sector support**.

iii) At the end of the NDP II, and as documented by the Bank of Uganda (BOU) annual financial report, there has been a decline in the growth in private sector credit from 11.7% in FY 2019/20 to 8.1% in FY 2020/21. **This is mainly due to the weak demand for credit by borrowers and risk aversion by lenders due to sluggish economic growth**. On the other hand, there has been some progress in doing business in Uganda, the World Bank Ease of Doing Business (EDB) report of 2020 ranked Uganda at 116 out of 190 economies globally which represented a 11-point improvement from 2019. However, more needs to be done since starting a business continues to be difficult and the ease of property registration which is crucial for formalization dropped between 2018 and 2020 while access to credit ranking equally deteriorated by 25 points between 2018 and 2020.

iv) **The private sector remained weak and uncompetitive since it suffers several constraints that limit their successful operation**. For instance: the high cost of doing business, weak capacity of the MSMEs due to; low levels of technology, limited uptake of innovations to continuously improve product quality, inadequate entrepreneurial ability, low skilled labor, and limited capacity to provide for innovation for new products which affect the average life span of the enterprises.

v) **Furthermore, the weak or lack of organization of producers, sellers, and other market players** reduces their ability to benefit from economies of scale and profitability. Following the weak available cooperative schemes, the capacity of the farmers, traders, and business enterprises to leverage each other's strength is weak. Ugandan manufacturers and suppliers are still found challenges in sustaining production and honoring contractual obligations of reliably supplying output.

vi) **Limited state interventions to support curtailing of the private sector structural and strategic bottlenecks**. Weaknesses persisted in: prevention of non-tariff barriers in regional markets; competition policies and law; enforcement of standards and the proliferation of counterfeits. Also, inefficiencies exist in the legal frameworks such as settling disputes and land administration and public sector efficiency.

vii) **Informality in Private Sector** The large informal sector continued to be a major blockade to private sector development including in bringing down unemployment, expanding standards compliance, reducing cost of credit, improving access to business/ market information, and in growth of national revenues. There were good examples in formalizing businesses such as in the Oil and Gas sector requiring registration of participating, business enterprises which could be emulated.

viii) **High Cost of doing Business.** This was attributed to the high cost of doing business in Uganda include; the high energy tariffs, bureaucratic business registration processes, inadequate skilled labor force, limited knowledge of business formalization procedures, and high transport related costs among others. In addition, non-Tariff barriers have persisted across the region even after the five East African Community (EAC) partner states signed a comprehensive Common Market Protocol in 2010, officially binding member states to open up their borders for free movement of goods, labor and services across the region. The high cost of doing business is affecting business sustainability and competitiveness of Ugandan products in the region, and undermining the Buy Uganda Build Uganda (BUBU) policy.

Public Private Partnerships

60. Public Private Partnerships (PPPs) is an arrangement between government and the private sector to provide goods and services which, normally would have been provided by government. PPPs range from simple to very complex arrangements with explicit and implicit fiscal liabilities. In a PPP, there is risk allocation and sharing to parties that are most capable of addressing those risks.

61. PPPs are a sophisticated business that requires very specific and strong financial (such as negotiation, contractual and financial skills), legal and technical skills to set the level of service, risk allocation/mitigation measures, project finance, legal provisions for contracts, contract monitoring based on outcomes, etc. These skills are generally not found within Government and it is therefore best to prioritise building capacity of the PPP unit and other contracting authorities to enable them to prepare, appraise, and provide better oversight.

62. The GoU has engaged in a number of PPPs since 2003 across a number of sectors. As at June 2021, Uganda's PPP database had 52 projects that reached financial closure between 2003 and 2020, with a total investment commitment of around USD 5 billion.

63. The contribution of PPPs is limited by the following;

i) The lack of effective integration of PPP processes into the broader PIM framework.

ii) There is institutional misalignment between the implementation mandate (PPP Unit) versus that of policy alignment (NPA).

iii) Non integration of the PPP financing channel into the Public Investment Plan (PIP) thus constraining the potential to source financing.

64. While determining options for government intervention in financing various programs/projects the following need to be put into context:

i) **Orientation of the financing option**, that is, the main objective or motivation underpinning their provision (poverty reduction, for profit, economic considerations etc.);

ii) **Scalability** i.e. whether the volume of financing can be varied at any point in time to suit the requirements of specific programmes/projects;

iii) **Implication on macroeconomic stability** which defines potential impact from mobilisation and utilisation of a particular financing source (e.g. crowding out the private sector, inflation, exchange rate, reserve build up at the central bank, debt sustainability etc.);

iv) **Financing terms** which relates to concessionality as defined by maturity, grace period and interest rate;

v) **Accessibility relates to whether there are any potential barriers** to tapping the financing option, such as conditionality (earmarking, eligibility, government and credit policies and governance);

vi) **Speed of disbursement** defines how fast the processes and procedures for raising the required funding can be completed and, how quickly the proceeds can be made available to the project for utilisation;

vii) **Flexibility in use of funds** defines how fungible are the proceeds or the ease with which proceeds are re-allocable to other programmes;

viii) **Predictability** over the time frame required by development projects,

ix) **Complementarity** whether financing options can be deployed together or jointly to enhance development impact of a programme/project;

x) **Impact** relating to whether the financing option can address programme constraints

xi) **Ownership** relating to ownership of the financing option's proceeds by Government and their integration in the development program is essential; and

xii) **Delivery mechanism**, whether proceeds can be managed through government system.

xiii) **Administrative considerations**, how difficult will it be to administer, enforce, collect and distribute proceeds from the mechanism?

3.5.2 NGOs and CSOs contribution

65. NPA through its expanded Board has various representatives of the private sector (including the leadership of the Private Sector Foundation Uganda), the representatives of the National Bureau for NGOs, the leadership of the Uganda NGO Forum as well as the Inter-Religious Council. During the drafting of the NDP II, most key NGO and CSO representatives were consulted and this expanded to political parties, religious institutions as well as cultural and traditional leaders.

66. The challenge however, was that the mechanism for follow-up and reporting of their contribution to the plan on an annual basis remained weak. During NDP I and at the on-set of NDP II there had been proposals for a focal point person to be appointed at NPA coordinate reporting of their contribution over the NDP II period. This did not materialize. However, as a secretariat to the Africa Peer Review Mechanism (APRM), the NPA conducts a lot of analytical work related to the contribution of NGOs and CSOs to national development.

It is therefore recommended that more resources in terms of human, technical and financial resources be accorded to the APRM secretariat at NPA to gather data on the contribution of the various actors to the NDP implementation and produce a report that could be part of the National Development Report (NDR).

i. Political parties
ii. NGOs CSOs (including Community and Faith Based Organizations CBOs and FBOs)
iii. Private sector
iv. Religious leaders
v. Academia and Research organizations
vi. Media

Challenges for NGOs and CSOs

67. A significant challenge faced by CSOs is the increasing pressure by financiers to demonstrate value for money through their impact on government policy. This has proven to be a daunting task from the perspective of civil society due to the difficulties in measuring impact. Key institutions like the National Bureau for NGOs is grossly under resourced, to regulate the sector (which is projected to be contributing 28.3% of all decentralized service delivery). The highest allocation the bureau has received is UGX 4.4 billion per annum that can barely meet its wage and operational costs across the country.

68. This evaluation noted the following other challenges:

i) Political interference (and intimidation) with/relating to the advocacy work of NGOs and CSOs especially those engaged in civic competence and good governance.

ii) Limited resources to sustain projects implemented in most rural areas due to the narrow scope of grants extended to them (in terms of financial resources and an average tenure of projects that is below 5 years)

iii) Duplication of services as a result of limitations in systems for regulation and service mapping (leading to instances where numerous NGOs are in some areas and missing in others where need could be greater – the example given was the challenge of hunger now facing karamoja);

Chapter 4: Lessons and Recommendations for NDP III

69. This chapter is a dual presentation of lessons learned by the end of FY 2019/2020 under NDP II and basing on these lessons are recommendations for the implementation of NDP III.

4.1 Ownership

70. Overall, under the NDP II, Government through the NPA continued to exercising leadership in developing and implementing the plan. Building on the momentum under NDP I, development partners (donors, the private sector and CSOs) continued to contribute to the plan (most doing so subconsciously). At the midterm level, of the NDP II, Government through the Office of Debt and Cash at MoFPED had begun to re-engage development partners and review the national partnership policy. There was a feeling that this policy was lopsided to cater for international donors and that needed to be expanded in coverage. There is now a purpose to bring other non-state actors on board (private sector, NGOs and CSOs). This would enhance the ownership of the development partnership process.

Recommendation While Government is in ownership of its own national development process through the NDP, more needs to be done to establish a deliberate and streamlined process that defines a ray of partnerships needed to support the plan's implementation. The lesson learned is that with various partners willing to support the plan from their own interest, Government will need a framework that rallies partnerships specifically to areas of unfunded by critical to the national development process. Most stakeholders feel that this role can be most suitably performed by the Office of the Prime Minister as the lead working with the NPA and MoFPED.

4.2 Alignment

71. Fundamentally, alignment of development assistance can only be achieved through rays of negotiated consensus (conducted by NPA) between the structure of partner contribution and NDP priorities. Timing of these processes is critical in this regard and three factors are important to learn as lessons:

i) The last year of the NDP period (FY 2018/19) could have been idea for the preparation of NDP III to pool together various country assistance strategies, memoranda, plans or agenda. This analysis could also be done from consultations with private sector, NGOs and CSOs (through their umbrella organizations) as well as other non-state actors (including academia, research and analysis of Government's own performance reports). This analysis would them support preparation of the longer term budget framework paper and sketch a preamble to economic modelling and initial predictability needed for NDP III. This would present the first critical step towards alignment.

ii) Alignment, by and large, has been limited to the extent to which the national budget has financed the plan (as evidenced by the reviews of the certificate of compliance reports). This could also be enhanced to include an assessment to which development partners have financed the plan -just as was done MoFPED through a report released in 2020[4]. This could be done (for instance every two years) and track alignment of development assistance to the plan. Other suggestions are that the National Development Report or the Government Annual Performance Report could include a chapter on the actual and planned contribution for the various actors since they are integral to the plan's implementation:

a. Private sector current and projected contribution

b. Contribution of NGOs and CSOs

c. Role to be played or anticipated to be played by traditional and cultural institutions

d. Academia, research and media among others.

If this was done on a two-year basis, it would provide a good basis for both assessment of contribution of all the partners, provide planning a drawback for projections and enhance predictability for the subsequent plan (rather than expecting them to align).

iii) Another lesson learned is that partner planning cycle (and the timing of it) could be aligned with the GoU budget calendar (as guided by the PFM Act). This would indicate their long-term financial envelope aligned with budget framework. Sector-level processes could be supported to play this role and inform the respective program heads. In the current context, this could start two years prior to the subsequent plan.

4.3 Division of Labor and Harmonization

72. By the end of the NDP II, there wasn't any processes under DoL, nor was there any framework to assess if partners were meeting their partnership commitments. In FY 2017/18 when the LDPG assessed the DoL process, it was deduced that development partners had expressed discontent with the restrictions to the number of sectors to which they can channel the support. The process also excluded non-traditional non LDPG

[4] MoFPED (2020) Uganda's Development Partnership Review Report: *A country pilot of the Global Partnership for Effective Development Cooperation* Kampala Uganda

partners. Development partners are more keen to respond to needs of their constituencies and home countries in determining the sectors they support in Uganda. Any restriction to this end send most to keep away from the process. It remains very unlikely that DoL can be rejuvenated soon - but attempts are underway through the review of the national partnership policy to find options. This report makes the recommendations that could aid the rejuvenation of this process as shown in the text box below

Recommendations to rejuvenate the DoL Process

i) **There is need to urgently set up a dialogue with development partners (beginning with those under LDPG) on the bare minimum targets in terms** of NDP priorities and later engage non-traditional donors on what appropriate targets might be, and identify potential gains both for GoU and for development partners. In this regard, the DoL can be rejuvenated not as a requirement but as a planning tool – NPA could play active role in this process. It is important that is done as the NDP IV is drafted so that there is shared understanding of the benefits which can be built and committed to before the actions are broken down to individual donors and become tangible.

ii) **Ride on the successful Comprehensive Refugee Response Framework (CRRF)** could lend an example where development partners can before-hand show areas they project to support under refugee action. This is also key for predictability as well as donor harmonization.

iii) **Let there be flag bearers!** Support MoFPED Debt and Cash department to take the lead that links development partners including non-LDPG stakeholders with the NDP process (for NDP IV) right from the start and ensure that agreed steps are taken beginning with of the FY 2023/24 so that with few that can come on board – the experience is shared publicly to give confidence for other donors to come on board (even if their support is off-budget)

73. Principally, donor harmonization was much constrained and weakened by:

i) The collapse of dialogue structures after 2013, especially the high-level political dialogue that brought together development partners under General Budget Support (GBS).

ii) Limited participation by development partners that often had attended coordination forums for public financial management (especially after the much publicized events in Uganda in 2014 related to human rights);

iii) Challenges related to domestic accountability, much reported absence of external control and performance assessment (most outlined in the PEFA reporting for Uganda between 2016 and 2020).

iv) Lack of a champion to drive the donor harmonization process-a role that OPM did not effectively play as was envisioned under the Partnership Policy.

74. In order to support donor harmonization, the process on going to review the partnership policy should critically look into setting up a stronger collaboration framework between

the Government and development partners with an agreement on the appropriate mode of collaboration.

4.4 Mutual Accountability

75. The key lesson learned is that mutual accountability during the NDP II period required that both GoU and development partners set up systems (first for their own) for improved monitoring, joint program reviews and reporting on aid performance. While this process remained weak, reporting on mutual accountability was not done. LDPG donors continued to work towards strengthening (and increased use of) country systems only for small proportions of their aid. The fact that there was no strong enforcement of joint GoU and Donor Budget Calendar, mutual accountability remained a challenge. Government consultations with DPs (on programme reviews, prioritisation, planning and medium-term commitments) remained weak. The M&E framework for the Partnership Policy was not implemented so reporting on mutual accountability was not done.

Recommendation: Joint monitoring and reporting system is required so that there is readily available information on performance of GoU in utilizing aid. On the other hand, DPs will be required to share routinely the performance of support to GoU and how this support is aligned to the NDP. Most stakeholders recommended that current certificate of compliance reporting to Parliament by NPA could also include a section for development assistance. There is a need to accelerate the use of aid management platform (AMP) to improve aid transparency and the government's ability to manage development assistance in support of the NDP

4.5 Leveraging the contribution of the Private Sector, NGOs and CSOs

76. Private sector, NGOs and CSOs contributed 64% to GDP over the NDP II period. In a quasi-market approach this sector in most critical in delivery of the subsequent NDPs.

77. Boosting private sector contribution to drive growth will require:

i) Implementation of measures for reducing the cost of doing business, particularly increasing access to and reducing the cost of finance.

ii) Continued investment in private sector that enables timely and efficiency access to utilities and logistics infrastructure

iii) Reducing cumbersome procedures (red tape) and bureaucracies.

iv) Implementation of the Public Investment Financing Strategy (which is being finalized) to nurture the private sector with special focus on nurturing and supporting MSMEs will be important to deliver inclusive growth and jobs.

v) Nurturing champions in MSMEs to act as change agents and demonstrate successful innovations (especially among youth and women).

vi) implementation of the local content policy in public investments can be a powerful tool to strengthen the private sector – **with fair and clear incentive framework in an open and transparent PPP framework**

78. In addition, CSOs and NGOs under their umbrella organizations would wish to play a role in the NDP process, if the engagement framework was strengthened. Most are contributing to the plan objectives rather sub-consciously. They recommended that for an enhanced role of NGOs and CSOs in this process, it will be important for Government to:

i) Incorporate issues as were laid out in the citizens' manifesto into the NDP process. They noted that the development of the citizens' manifesto is an outcome of a largely consultative process. While the issues the citizens' manifesto raised were not significantly different from the general ambition of the plan, the Uganda NGO forum (that led this process) did not get an opportunity to assess congruence between its implementation and how that contributed to the NDP II outcomes – something that could be explored in other NDPs.

ii) More support is required to ensure the National Bureau for NGOs is supported with technical, human, financial and logistical resources to fully execute its oversight role.

iii) Over the next NDP it is important that a mechanism is arrived at to bring on board the contribution (and its sustained follow up) of traditional and cultural leaders, academia and research institutions and the media.

iv) There are key issues of advocacy that are very important to NGOs and CSOs that were mentioned that need emphasis in the NDP process that other NDPs out to consider very strongly:

a. Gender and development (with a focus on women and girls' economic empowerment)

b. Democracy and good governance (with a focus on electoral reforms and fairness before the law)

c. Social protection (especially for persons with disabilities)

d. Accountability of public resources (with focus on pro-poor budgeting and anti-corruption work in key sectors like oil and gas, infrastructure and social services)

e. Environmental and resources conservation

f. Advancement of human rights (rights of children, refugees and work to safeguard women from gender-based violence).

4.6 Recommendations for more effective partnerships

79. The table below summarizes recommendations for more effective partnerships to support the NDP process in Uganda.

Summary of the NDP II Evaluation Key Recommendations for NDP III

i) Finalize the review of the National Partnership Policy and revitalize its political leadership under OPM but its ensure **technical leadership and operationalization by the Debt and Cash Department of MoFPED**

ii) Government should set up explicit partnership arrangements with donors, private sector, NGOs and the civil society with clearly laid out terms for their role not just for supporting or financing the plan for annual reporting on this contribution. **The Local Development Partners Group** could coordinate this reporting for donors, the **National Bureau for NGOs** could facilitate this process for NGOs and CSOs while the **Uganda Registration Services Bureau** could be appointed to do the same for the private sector entities.

iii) The NDP III implementation **should be cognizant of the geo-political trends regionally and globally and engage partners based on this context by participant in dialogues** at two points: while donors develop their plan or country assistance strategies or MoUs and make and incorporate key incentives to support private sector growth as well as NGOs and CSOs participation. In instances where this is not done (at the earliest stages) NPA will find it difficult to influence their collaboration and alignment afterwards. For example, the focus for refugee action is shifting from humanitarian to self-reliance and resilience. This would then call for proactive planning in this regard and anticipation of changes in the structure of donor support in this regard.

iv) There is currently no institutionalized framework that mobilizes the contribution to the NDP by CSOs, private sector academia, media and other non-state actors like religious, cultural institutions. **For broader ownership of the Plan, it is recommended that attaches or focal point staff remunerated by NPA are attached to the National Bureau for NGOs, Uganda Registration Services Bureau and the Private Sector Foundation Uganda – to undertake analytical work of their role and participation** – as a starting point. They would then report to different program secretariats as is the arrangement for NDP III.

v) Government should find ways and means of **restoring the Division of Labor process** so that resources mobilized from development partners are spread to non-funded by critical NDP priorities. The best way to start is to utilize the DoL process as a planning tool especially as the partnership policy is revised. OPM will be expected to take the lead in this process working with MoFPED.

vi) **There is an erosion of faith by most development partners in Government systems**. With this reality, there is projected diminishing of provision of grants and on-budget support towards more 'commercial' concessional loans – that will worsen the debt position under NDP III. In order to restore this confidence in government systems, the following six aspects need to be seriously and expeditiously addressed:

h) Address the issues of **good governance** (including human right violations, gender and development, tolerance of divergent political views, fair and just application of the law, electoral reforms, expanding social protection, refugee action and climate governance).

i) **Address public sector corruption** right from procurement systems (where its begins) up to contract implementation and weaknesses in oversight mechanisms – pointed out was limitations in implementing recommendations of the Auditor General Reports)

j) Eliminate excesses and wastages in public spending – a key issue of concern was the **supplementary budget** seen as a blatant abuse of the ethos of the PFM Act (2015)

k) Ensure more alignment of the national budget to the NDP – inasmuch as there is a stuck reality that the ruling party manifesto takes precedence in some appropriations. The best way is to **implement recommendations of the NPA Certificate of Compliance** reports that at annually submitted to Parliament

l) **Address debt** by implementing government commitments under the National Debt Sustainability Strategic Framework.

vii) Under NDP III, the following are the partnerships that government ought to pursue:

a) **Fair, Open and Transparent PPP arrangement** to attract private equity, venture capital and other financing arrangements from the private sector. Currently the PPP arrangement remains 'closed' and benefiting only a few investors and not partners parse. While this is done, PPP arrangements could suit unfunded areas of the plan where the private sector expresses interest.

b) **Partnerships with traditional donors** on poverty reducing investments (the (resemblance of the processes under JAF)

c) **Partnerships with non-traditional donors** on technology advancement and infrastructure development (Japan, China, Turkey, Brazil)

d) **Collaboration on the software aspects of development with NGOs CSOs and their regulation** in terms of mind-set change, awareness and sensitization of government programs and local/community service delivery.

e) **Fair, accessible, transparent incentive framework** for private sector the same way as these incentives are being provided to foreign investors.

f) Lastly, there are partnerships in the NDP implementation framework should accommodate more explicitly for the contribution of **political parties** not only at consultation but also during reviews, dialogues as the plan is implemented. Such a framework could serve enlist contributions of **traditional and cultural institutions**, **academia and research institutions as well as media** – who are partners in the development spectrum (also widely referred to as the 4^{th} estate)

Annexes