

# JOINT ASSISTANCE STRATEGY FOR THE REPUBLIC OF UGANDA (2005 - 2009)



## PARTNERS

African Development Bank

Austria

Belgium

Denmark

European Commission

Germany

Ireland

The Netherlands

Norway

Sweden

UK Department for International Development

The World Bank

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## CURRENCY EQUIVALENTS

(November 2005)

Currency Unit = Uganda Shilling (USh)

US\$1 = USh 1,826.5

## Government of Uganda Fiscal Year

July 1–June 30

## ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
CAS	Country Assistance Strategy
COMESA	Common Market of Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
CPPR	Country portfolio performance review
DFID	Department for International Development (U.K.)
DSA	Debt sustainability analysis
EAC	East African Community
EC	European Community
GDP	Gross domestic product
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, small, and medium-size enterprises
MTEF	Medium Term Expenditure Framework
NGOs	Nongovernmental organizations
NIMES	National Integrated Monitoring and Evaluation Strategy
OECD	Organization for Economic Cooperation and Development
PEAP	Poverty Eradication Action Plan
PRSC	Poverty Reduction Support Credits
PRSP	Poverty Reduction Strategy Paper
SWAp	Sector Wide Approach Program
UJAS	Uganda Joint Assistance Strategy
UNDP	United Nations Development Program

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# CONTENTS

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<b>PREFACE</b>	v
<b>EXECUTIVE SUMMARY</b>	ix
<b>1. INTRODUCTION</b>	1
<b>2. UGANDA COUNTRY CONTEXT</b>	2
Economic developments	2
Poverty and inequality	4
Social developments and progress towards the MDGs	5
Regional integration	7
Governance	8
Political transition	9
Conflict	10
Civil society	10
<b>3. UGANDA'S POVERTY ERADICATION ACTION PLAN</b>	11
The PEAP 2004	11
<b>4. A JOINT RESPONSE</b>	14
Strategic Principles of the Uganda Joint Assistance Strategy	14
Supporting the implementation of the revised PEAP	14
Working better together	14
Alignment of the UJAS with the PEAP results matrix	20
Uganda Joint Assistance Strategy Program Focus	20
Implementation risks and challenges	27
<b>5. FINANCING SCENARIOS</b>	30
<b>6. RESULTS BASED MONITORING AND EVALUATION FRAMEWORK</b>	34
UJAS approach to monitoring and evaluation	34
Uganda's monitoring and evaluation capabilities	34
Assessing PEAP/UJAS results	35
Assessing the operational effectiveness of UJAS partners	35

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## Boxes

Box 1: Poverty Eradication Action Plan Partnership Principles	vii
Box 2: Uganda's debt sustainability	4
Box 3: Addressing gender issues in Uganda	7
Box 4: Uganda: Key PEAP planned strategic results	11
Box 5: PEAP: Joint Staff Advisory Note 2005	13
Box 6: Tackling HIV/AIDS in Uganda	26
Box 7: PEAP review and reporting arrangements	35

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## Figures

Figure 1: Key stages of aid harmonization in Uganda	vi
Figure 2: Uganda: Governance compared with Sub-Saharan Africa	9
Figure 3: Four stages of PEAP results orientation	20

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## Tables

Table 1: Poverty and inequality trends, 1992/93–2002/03	5
Table 2: Uganda's MDG and PEAP targets and status	6
Table 3: Current and planned partnerships in implementing the PEAP	17
Table 4: Risks and mitigation measures	27
Table 5: UJAS financing scenario assessment framework (fiscal 2006–09)	31
Table 6: Indicative average annual financing for PEAP implementation	33
Table 7: Targets for harmonization	36

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## Annexes

Annex 1: UJAS results matrix	38
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## PREFACE

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### Uganda Joint Assistance Strategy context

Uganda, like many other countries, has experienced high transaction costs from aid, especially when it has been provided as uncoordinated project support. For example:

- The Government has had to spend considerable time hosting and supervising a multitude of missions for each project, often scheduled to suit the timetable of each donor rather than of the Government.
- Aid in Uganda has often resulted in the creation of new systems that paralleled existing government systems. While these helped in implementing projects, they did little to build capacity of government.
- Donors often have procedures and requirements very different from each other, putting a strain on government staff.

Recognizing the high transaction costs, government promoted donor coordination and alignment throughout the 1990s. This spurred the establishment of joint sector working groups, the development of sectorwide approach programs (SWAPs) and pooled funding mechanisms, joint missions, silent partnerships, and joint analytical work and advisory services by development partners. Subsequently, the annual poverty reduction support credit (PRSC) process played an important role in strengthening donor harmonization.<sup>1</sup> The PRSC has been a focus for donors that provide budget support to participate in joint discussions with government and to link their disbursements to the fulfillment of agreed prior actions that are themselves derived from the Poverty Eradication Action Plan (PEAP).

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<sup>1</sup> The first PRSC for Uganda was approved in May 2001.

Figure 1: Key stages of aid harmonization in Uganda

	Government							
	1997	1999	2000	2001	2002	2003	2004	2005
Government	First PEAP		Second PEAP (PRSP)	PRSP Progress Report	PRSP Progress Report	PRSP Progress Report Donor sign-off to PEAP Partnership Principles	March: PEAP draft November: Final PEAP	
Development partners		Education SWAp  Donor coordination around local government development.	Health SWAp  Enhanced HIPC debt relief earmarked support through the Poverty Action Fund.	PRSC 1	PRSC 2	PRSC 3	PRSC 4  Joint county integrated fiduciary assessment (7 partners).  July: UJAS partner workshop November: UJAS draft.	PRSC 5  Final UJAS

The government laid out its intent for its relationship with donors in volume 3 of the 2000 PEAP, called “Building Partnerships to Implement the PEAP.” A set of partnership principles was signed by the government and key donors in 2003 (box 1). At the time, these were unique in Sub-Saharan Africa in guiding donor behavior and support, in steering donor-government cooperation, and in establishing the importance of budget support (in contrast to a multitude of single, stand-alone projects) for increasing the effectiveness of aid.

The Uganda Joint Assistance Strategy (UJAS) is a natural next step to further enhance donor harmonization. The revision of the PEAP by the government in 2004 provided the opportunity for donors to develop a strategy aligned behind the government’s own development program. The PEAP includes a detailed results and policy matrix that provides the framework for alignment.<sup>2</sup>

<sup>2</sup> The matrix will be updated periodically to reflect changes in the country context.

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## Box 1: Poverty Eradication Action Plan Partnership Principles

### **Shared Commitment: donor and government priorities are based on the PEAP. Government:**

- Continues focus on poverty eradication
- Assumes full leadership in the donor coordination process
- Discourages any stand-alone donor projects
- Strengthens monitoring and accountability
- Develops comprehensive, costed, and prioritized sector-wide programs eventually covering the whole budget
- Further develops participation and coordination of all stakeholders
- Strengthens capacity to coordinate across government.

### **Donors:**

- Jointly undertake analytic work
- Jointly set output/outcome targets
- Develop uniform disbursement rules
- Develop uniform and stronger fiduciary assurance and accountability rules
- Ensure integration of support in sector-wide programs
- Continue to increase untied budget support
- Increasingly delegate responsibilities to country offices
- Abolish topping up of individual project staff salaries
- End individual, parallel country programs and stand-alone projects
- Reduce the tying of procurement.

## Uganda Joint Assistance Strategy process

The idea of preparing a joint assistance strategy, first discussed in the fall of 2003, was quickly endorsed by several key donors. One bilateral and one multilateral partner provided staff for the drafting of the document. Drafts were shared and discussed in detail with all UJAS partners at various stages of the drafting process.

In March 2004, the government circulated a first comprehensive draft of the revised PEAP. In July 2004, UJAS partners in a two-day workshop discussed the key risks to PEAP implementation, the general program that partners would support, and the comparative advantage of each UJAS partner in specific areas. In November 2004, the government issued the final PEAP. UJAS partners issued the first comprehensive draft of the UJAS shortly thereafter. The draft was further refined in meetings between the UJAS partners, and shared in April 2005 with government, civil society and other development partners.

The process presented opportunities and challenges. UJAS partners have learned important lessons, in particular about the need for in-depth preparation to agree on joint approaches and expectations. The opportunities, challenges and lessons are summarized below.

### Opportunities

- The existence of a comprehensive PEAP behind which development partners could align their support made drafting of the UJAS much easier. The development partners are able to rely on the PEAP results matrix and monitoring framework to monitor implementation of the UJAS and evaluate its impact.

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- Recognition of the need to harmonize is well established. This makes further rationalization of roles and responsibilities easier.
  - The existence of PRSCs and of mature SWApS in health, education, water, and other sectors provided extensive experience with harmonization.
  - The Partnership Principles had been in place for more than two years.

## Challenges

- Disengaging from sectors proved difficult for many UJAS partners. The issue of who decides who has the comparative advantage in any given area was difficult to address. A further challenge is how shifts in comparative advantage over time can be accommodated.
- The need for development partners in Kampala to consult periodically with their headquarters and to reflect different headquarter requirements constrained progress.
- Different assessments of the risks posed by corruption and the political transition created tensions among some UJAS partners, making it difficult to draft a strategy acceptable to all.

## Lessons learned

- The UJAS is a process. The UJAS document is a milestone. Progress will continue to be made in a range of areas during implementation.
- Producing a joint strategy takes time, often much more than preparing a single agency country assistance strategy. Agencies involved need to allocate sufficient resources to the process. A clear management arrangement needs to be put in place. Key issues include identifying a leader or leaders of the process and clarifying the expectations of partners involved.
- Flexibility and innovation, particularly in complying with the guidelines of headquarters, are important.

## UJAS document

The UJAS document represents a significant step forward for harmonization and the overall aid effectiveness agenda in Uganda. The document:

- Builds on the Partnership Principles and the Rome and Paris declarations on harmonization.
- Commits partners to important changes in behavior during UJAS implementation
- Aligns UJAS partners' support with the PEAP.
- Identifies the link between the different UJAS interventions and PEAP results.
- Presents the strategic direction of this group's support and how this fits together to comprehensively support the implementation of Uganda's PEAP.
- Presents a common assessment framework for determining levels of finance, which will help improve the predictability of aid, particularly as the group comprises some of Uganda's major budget support donors.
- Harmonizes the UJAS partner group's monitoring and evaluation requirements in line with the review of the implementation of the PEAP.

## Next steps

- UJAS partners will become increasingly selective in their programming and policy dialogue, with each concentrating its efforts in line with its comparative advantages. It is hoped that the government will lead the process.
- More partners will join the UJAS group.
- Partners will help the government to strengthen its capacity to monitor the implementation and evaluate the impact of the PEAP.

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## EXECUTIVE SUMMARY

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- i. Country context.** Since 1986 economic growth in Uganda has been extraordinary and poverty has decreased substantially. Due to strong macroeconomic management (low inflation, stable exchange rate, large foreign reserves), savings, exports, and foreign direct investment are increasing. Within the region, Uganda has been a leader in the fight against HIV/AIDS, with prevalence dropping significantly during the past decade. The challenge for Uganda is now to deepen reforms already underway and prevent their reversal. This challenge will be heightened during the run-up to Uganda's first multiparty election since 1980, scheduled for February or March 2006.
- ii.** To accelerate growth, the underpinnings of a market economy need to be further strengthened, exports need to be diversified, new economic opportunities have to be sought, and more needs to be done to attract private sector investment. Concrete progress in improving governance is critical, and strong political will is required to reduce corruption and levels of fiduciary risk. Uganda's very high rate of population growth poses a long-term challenge for growth and poverty reduction. Although Uganda has made substantial progress towards achieving the Millennium Development Goals (MDGs), more needs to be done if all are to be met. Special efforts will be needed to improve the quality of education services to ensure that children complete primary education and that gender disparity in education is eliminated. Greater access to quality health services is also essential to significantly reduce child and maternal mortality rates. Moreover, Uganda is still experiencing internal violent conflict, which presents special challenges.
- iii. Uganda's Poverty Eradication Action Plan.** Uganda's development objectives are articulated in the 2004 PEAP, the third version of its poverty eradication action plan. The 2004 PEAP restates the country's ambitions of eradicating mass poverty and of becoming a middle income country in the next twenty years. It argues for a shift of policy focus from recovery to sustainable growth and structural transformation. The PEAP presents specific policies and measures to achieve its objectives, grouped under five pillars:
- (1) *Economic management.* The government's strategy aims to maintain macroeconomic stability and to promote private sector driven, export-led-growth. Measures include containing inflation, mobilizing domestic revenue, and reducing the fiscal deficit.
  - (2) *Enhancing competitiveness, production and incomes.* Priorities involve increasing investment in transport infrastructure and in energy systems, deepening the financial system, removing bureaucratic obstacles to business, promoting rural development, and improving incentives for sustainable management of natural resources.
  - (3) *Security, conflict resolution, and disaster management.* Key interventions comprise improving the defense and police services, strengthening disaster preparedness and management (including programs to assist refugees and internally-displaced people), and rehabilitating and reconstructing infrastructure and livelihood systems in conflict-affected areas.
  - (4) *Governance.* The overall objective of the pillar is to strengthen political governance, human rights, legal and justice systems, and public sector management and accountability. These objectives will be achieved through measures ranging from promoting democracy to reforming the public services.
  - (5) *Human resources development.* Priorities include improving the quality of education and health services, addressing HIV/AIDS, increasing access to family planning services, and expanding water and sanitation systems, particularly in rural communities.

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A PEAP results and policy matrix sets out specific medium-term (2007/08) and long-term (2013/14) targets for selected outcomes under each pillar, and the critical policy actions judged necessary to meet them.

**iv. The Uganda Joint Assistance Strategy.** This Joint Assistance Strategy of eight development partners—African Development Bank, Germany, the Netherlands, Norway, Sweden, the United Kingdom’s Department for International Development, and the World Bank Group (Austria joined the UJAS partners in January 2006)—is centered on three principles<sup>3</sup>. These are:

- Supporting implementation of the country-owned and led revised PEAP to achieve the MDGs.
- Collaborating more effectively, both among development partners and with the government.
- Focusing on results and outcomes (including managing resources and improving decision making for results, and strengthening systems for monitoring and evaluation).

**v. Harmonization.** Government promoted donor coordination and alignment throughout the 1990s. In response, the UJAS partners have increasingly aligned their support behind the government’s development program, with the aim of reducing the transaction costs that government faces in dealing with multiple development partners. Partnership Principles were signed with the government. The UJAS partners are committed to continue the process of harmonization in line with these principles and the Rome and Paris declarations. They will become increasingly selective in their programming and policy dialogue, with each concentrating its efforts in line with its comparative advantages. It is hoped that the government will lead the process.

**vi. The Uganda Joint Assistance Strategy program focus.** UJAS partners will support the implementation of the PEAP in general, but will focus on certain areas judged to be especially important for achieving the PEAP’s overarching strategic results. These areas are: (a) strengthening the budget process and public sector management, (b) promoting private sector development and economic growth, (c) strengthening governance, (d) improving education and health outcomes, and (e) promoting the resolution of the conflict in the north and fostering the social and economic development of the region.

**vii. Financing scenarios.** The UJAS partners will finance the implementation of the PEAP through four main channels: direct budget and project support to the government, support to the programs of civil society organizations, assistance to the private sector, and support channeled through U.N. agencies. Although some UJAS partners expect to deliver an increasing proportion of their support through direct budget support, all will continue to provide some assistance as project support. UJAS partners will also provide as much support as possible in the form of grants to enable the government to maintain public debt within levels that it can comfortably manage. The base case scenario assumes that the government continues to successfully implement the PEAP, and envisages the provision of support at levels of the recent past. Under this scenario the partners will support operations in key areas identified in the PEAP. They will complement these operations with analytical work and policy dialogue to build institutions and strengthen capacity in key areas and to provide the foundation for future support.

**viii.** To accelerate progress in attaining PEAP objectives and MDGs, or to assist with rehabilitating the economy of the north, UJAS partners will move to a high case scenario if they and the government agree that the country’s general conditions allow for an increase in resource flows, and that additional resources will be used effectively to promote accelerated growth and poverty reduction. Under this scenario, UJAS partners would be ready to support additional public investment, especially in roads, regional infrastructure, energy, and community and rural development projects.

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<sup>3</sup> Since the UJAS was agreed Belgium, Denmark, the EC and Ireland have joined.

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**ix.** A low case scenario would be triggered if performance in economic management deteriorates significantly, the commitment to a pro-poor policy agenda declines, conflict within the region resurges, or commitment to improve governance and enhance public financial management falters. For some UJAS partners issues concerning the political transition and human rights are also important. Some may shift to a low case scenario if political transition falls short of being free and fair or if human rights are abused. A move to a low case will be gradual and follow intensive discussions with the government to ensure that core priorities of the PEAP are not sacrificed.

**x. Risks.** Risks to PEAP and UJAS implementation include those related to the political transition, poor governance, inadequate protection of human rights and limited access to justice, the continuing conflict in northern Uganda, weak public sector capacity, high population growth, and external shocks. The UJAS proposes a number of measures to mitigate the risks.

**xi. UJAS monitoring and evaluation.** In the spirit of harmonizing and aligning behind the government development program, UJAS partners will rely on the government's own assessment of the results of the PEAP in judging the development effectiveness of the UJAS. The government is establishing an annual PEAP review mechanism, which will draw on existing reporting and review arrangements for sector-specific support, for the PEAP as a whole, and for the budget process. The PEAP policy and results matrix will be the reference document for these annual PEAP reviews.

**xii.** UJAS partners will assess the contributions of their specific interventions to outcomes, using the UJAS results matrix as the framework. The UJAS matrix is fully consistent with the PEAP results matrix, but also contains milestones that are specific to the partners' interventions. Annual reviews linked to the PEAP reviews will provide early feedback on both UJAS implementation progress and impact. An in-depth midterm review will provide detailed information on what is working well and what needs to be strengthened or modified to better achieve expected outcomes. A final self-evaluation of the strategy and its implementation and impact will be carried out at the end of the UJAS period. In addition to assessing the outcome of specific interventions and their link to country outcomes, UJAS partners together with the government will support an annual independent assessment of progress of partners in organizational effectiveness, using the indicators agreed in the Paris Declaration on Harmonization.

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## 1. INTRODUCTION

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1. The Uganda Joint Assistance Strategy (UJAS) presents a core strategy of seven development partners for 2005–09, and provides the basis for the partners' support of the implementation of the government's new Poverty Eradication Action Plan (PEAP) covering 2005/06–2008/09.<sup>4</sup> It has been prepared collaboratively by the UJAS partners: African Development Bank (AfDB), Germany, the Netherlands, Norway, Sweden, the United Kingdom's Department for International Development (DFID), and the World Bank Group. Austria joined the UJAS partners in January 2006.<sup>5</sup>
2. The UJAS specifies the ways in which the UJAS partners will support the government's efforts to achieve its PEAP outcome targets, drawing on each partner's comparative advantage in providing expertise and assistance. It therefore builds on the Partnership Principles agreed in 2003 between the government and its development partners. The UJAS is results oriented with a clear monitoring and evaluation framework derived from the PEAP results matrix. The European Commission, Ireland, and Denmark support the UJAS and intend to become UJAS partners during its lifetime.
3. In addition to the PEAP, the UJAS has been influenced by the analyses and policies associated with a number of major international initiatives. These include the Millennium Development Goals (MDGs) and the U.N. Millennium Project Report, the Report of the Commission for Africa, the Rome and Paris high level declarations on aid effectiveness, and the IMF/World Bank 2005 Global Monitoring Report. The New Partnership for Africa's Development, the United Nations Development Assistance Framework, the Strategic Framework of the International Development Association's Assistance to Africa and its operationalization in the Africa Action Plan have also influenced the strategic vision on which it is based.
4. Chapter 2 reviews Uganda's current economic and political situation and its performance in relation to the MDGs. Chapter 3 summarizes the PEAP and the partners' collective assessment of it. Chapter 4 sets out the key elements of the joint assistance strategy, outlining what the partners will support and how, and identifying the major risks to its successful implementation and the measures that will be taken to mitigate these risks. Chapter 5 presents financing scenarios, describing the size and modalities of partners' contributions to PEAP implementation. Chapter 6 describes the results-based monitoring and evaluation framework.

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<sup>4</sup> The UJAS includes the key interventions by all UJAS partners (see chapter 4). More detailed information on each individual partner's projects and programs will be provided separately.

<sup>5</sup> Since the UJAS was agreed Belgium, Denmark, the EC and Ireland have joined.

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## 2. UGANDA COUNTRY CONTEXT

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5. Uganda is widely characterized as a country that went from “basket case” to “success story.” Since 1986, Uganda has transformed from a nearly failed state as a result of various brutal dictatorships, to a country that has achieved consistently high economic growth rates, significant reductions in poverty, and steady improvements in health and education status.

6. Uganda remains a country of opportunities and challenges. Since 1986, economic growth has been extraordinary and poverty has decreased substantially. Due to strong macroeconomic management (low inflation, stable exchange rate, large foreign reserves), savings, exports, and foreign direct investment are increasing. Within the region, Uganda has been a leader in the fight against HIV/AIDS, with prevalence dropping significantly during the past decade.

7. The challenge for Uganda is now to deepen reforms already underway and prevent their reversal. This challenge will be heightened during the run-up to Uganda’s first multiparty election since 1980, scheduled for February or March 2006. To accelerate growth, the underpinnings of a market economy need to be further strengthened, exports need to be diversified, and new economic opportunities have to be sought. More needs to be done to attract private sector investors, who currently face low access to finance and high levels of corruption. Uganda’s very high rate of population growth poses a long-term challenge for growth and poverty reduction. Uganda is still experiencing internal violent conflict, which has major consequences for development.

### Economic developments

8. At the beginning of the National Resistance Movement government in 1986, Uganda’s economic, financial, and social infrastructure was in disarray following more than a decade of neglect and disrepair. The proportion of Ugandans living in poverty stood at 56 percent and citizens’ access to essential services such as education, health, water and sanitation and markets was very low.

9. Since taking office, the National Resistance Movement government has pursued policies promoting economic liberalization and private sector-based, export-led growth. It has successfully maintained macroeconomic stability, while steadily directing larger shares of public spending to investment, operations and maintenance, and public services targeting the poor. Uganda’s average inflation rate has been below 5 percent for more than a decade. The banking sector has been reformed. Privatization of telecommunications has resulted in lower cost services and an expansion in the number of households and businesses served.

10. The government’s policies have yielded impressive results. Uganda’s gross domestic product grew at an average rate of 6.9 percent during the 1990s. This is notable compared with the average of 2.2 percent that Sub-Saharan Africa as a whole achieved. Economic growth during recent years appears to have slowed somewhat, but continues to be strong, averaging 5.5 percent during 1999/2000–2004/2005. Continued high population growth means that GDP growth per capita is considerably lower, posing a challenge to the government as it strives to reduce poverty. Gross domestic savings increased from only 4.7 percent of gross domestic product (GDP) in 1999/2000 to 8.6 percent in 2003/2004, and exports increased from 11.2 percent of GDP to 13.7 percent of GDP over the same period. Foreign direct investment increased from US\$133 million in 2000/2001 to US\$202 million in 2003/2004 and is estimated to have reached US\$299 million in 2004/2005.

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11. To ensure that the momentum in economic growth and poverty reduction is not lost, the government needs to build on past performance by addressing the following key economic challenges:

- Increasing mobilization of domestic resources. Aid flows increased from 8 percent of GDP to over 12 percent of GDP during 1998/99–2001/02 (comprising about 50 percent of the government budget), financing large increases in public spending and in the fiscal deficit. Aid inflows have since stabilized, and the deficit before grants has fallen back from a peak of 12.2 percent of GDP (5.2 percent after grants) in 2001/02 to 9.9 percent of GDP (1.1 percent after grants) in 2004/05. Domestic revenue mobilization has improved modestly, but remains low at 12.7 percent of GDP. Mobilizing more revenues domestically is important if the government is to generate sufficient resources to invest in infrastructure and deliver services to a growing population, while avoiding the potentially adverse macroeconomic affects of a large deficit financed by aid and continued aid dependency.
- Stimulating private investment. The business climate in Uganda has improved significantly since the early 1990s, leading to growth of private investment from 9 percent of GDP in 1990/01 to 17 percent of GDP in 2003/04. But much more needs to be done if Uganda is to attract private investment equal to 21 percent of GDP that the PEAP states is required if Uganda is to achieve its target GDP growth rate of 7 percent.
- Promoting exports. Nontraditional exports—notably fish, flowers and cut vegetables, and tourism—have been growing rapidly, while the value of coffee exports (traditionally Uganda’s major export) has recovered modestly as international prices have rebounded. But the overall export/GDP ratio of 13.7 percent in 2003/04 is still low. Increasing exports will enable Uganda to generate the revenue and foreign exchange it needs to import capital goods and gradually reduce dependence on donor aid.
- Strengthening execution of the budget. The government has operated a Medium Term Expenditure Framework (MTEF) for over 10 years. Its transparent and participatory budget process is one of the most-admired in Africa. The share of the government’s discretionary budget allocated to the Poverty Action Fund increased from 17 percent in 1997/98 to 37 percent in 2004/05.<sup>6</sup> However, expenditures on public administration and defense have during the past few years on several occasions exceeded their initial allocations. Uganda has conducted various value for money studies, which has helped to improve delivery of health and education services. However, value for money in all sectors still needs to be improved. Further strengthening of budget execution is now needed to ensure that available resources are used effectively to promote growth and reduce poverty.
- Maintaining public debt within manageable levels. Some indicators of external debt sustainability have deteriorated since Uganda reached the Heavily Indebted Poor Country (HIPC) completion point in 2000 (see box 2). Although the external debt service ratio as a percentage of exports and of domestic revenues (about 10 percent after HIPC relief) remains at levels well below critical benchmarks, the government is committed to maintaining public debt within levels that it can comfortably manage. It has therefore set a cap of US\$200 million on net annual external concessional borrowing. The implications for this cap of the July 2005 G8 debt relief initiative are not yet clear. The debt initiative if implemented in full will significantly reduce Uganda’s debt burden.

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<sup>6</sup> The Poverty Action Fund was set up in 1997 as a virtual poverty fund within the MTEF to ensure that resources resulting from the Heavily Indebted Poor Country Initiative (HIPC) were spent on core poverty programs.

## Box 2: Uganda's debt sustainability

In April 1998, Uganda became the first country to benefit from debt relief under the original HIPC Initiative. Reaching the decision point under the Enhanced HIPC Initiative in February 2000, Uganda was also the first country to benefit from the Enhanced HIPC Initiative in recognition of the effectiveness of the PEAP and the authorities' continued commitment to macroeconomic stability. Uganda graduated from the Enhanced HIPC Initiative with a net present value of external debt to 3-year average of exports ratio of 171 percent in fiscal 2001.

This ratio increased to 229 percent by the end June 2005, 32 percent higher than was projected in a 2002 debt sustainability analysis. However, the deterioration in the debt to export ratio reflects changes in exogenous factors, notably lower international interest rates and a weaker U.S. dollar than had been projected. Higher than projected borrowing contributed marginally to an increase in the ratio. In addition, Uganda's exports actually outperformed projections, largely due to a strong growth in non-coffee exports between 2002/2003 and 2004/2005. If the debt to export ratio for this period is recalculated using a 1-year average of exports ratio instead of a 3-year average, Uganda's debt to export ratio amounts to only 179 percent.

According to current practice, debt thresholds for countries should be established in line with the quality of a country's policy and institutions, suggesting that strong performing countries can sustain higher debt ratios. Uganda is considered a strong policy performer, for which the upper threshold of debt distress is currently 200 percent of debt to exports. While debt service seems manageable, Uganda's net present value of debt to exports ratio is only slightly below this level. Given Uganda's vulnerability to exogenous shocks, its probability of debt distress will be moderate before the Multilateral Debt Relief Initiative (MDRI). The MDRI will substantially reduce Uganda's debt burden that could decrease Uganda's net present value of debt-to-exports to 46 percent in 2006/07.<sup>7</sup> However, it remains a joint responsibility of both the government and development partners to prevent the debt burden from climbing again.

## Poverty and inequality

12. The proportion of the population living below the poverty line in Uganda declined from 56 percent in 1992 to 34 percent in 2000, owing to strong growth in real private consumption except in the conflict-afflicted northern region (average growth 1.2 percent) and in the arid eastern region (average growth 2.8 percent).<sup>8</sup> Urban areas experienced particularly strong growth and poverty reduction. The depth and severity of poverty also declined, and non-income welfare measures improved. For example, the ownership of assets increased and the quality of housing improved. In addition, the proportion of households even in the lowest quintile owning bikes and radios and other consumer durables increased. Furthermore, households successfully managed to improve their welfare by earning more in their economic activities through diversification of income sources, increased education levels, and improvements in labor productivity.

13. However, data from the 2002/03 Uganda National Household Survey, suggest that the proportion of Ugandans with income below the poverty line increased from 34 percent in 1999/00 to 38 percent in 2002/03 (table 1). According to this and other macroeconomic data, the pace of decline in poverty rates may be slowing, while inequality is increasing. Most of the deterioration arose from a rise in income poverty in rural areas, where the proportion of people living below the poverty line rose from 37 percent to 42 percent. Poverty is often transitory for those with incomes outside of crop agriculture, but chronic for those who rely primarily on crop agriculture for their livelihood. The conflict-affected north remained the poorest region (with 63 percent of the population living in poverty). Poverty increased most dramatically in the east (from 35 percent to 46 percent). Rapid population in urban areas contributed to a rise in urban poverty.

<sup>7</sup> Assuming a cut-off date of December 31, 2004 and implementation as of July 1, 2006.

<sup>8</sup> Assuming that debt relief under the MDRI is provided on debt outstanding as of end-2004 for IMF and Africa Development Fund and as of end-2003 for IDA. In addition, it is assumed that the MDRI will be implemented by the IMF and the Africa Development Fund in January 2006, and by IDA in July 2006.

**Table 1: Poverty and inequality trends, 1992/93–2002/03**

	1992/93	1996/97	1999/2000	2002/03
<b>Proportion of the population living below the national poverty line*</b>				
National	56	44	34	38
Rural	60	49	37	42
Urban	28	17	10	12
Central	46	28	20	22
Eastern	59	54	35	46
Northern	72	60	64	63
Western	53	43	26	31
<b>Inequality as measured by the Gini coefficient</b>				
National	0.364	0.347	0.395	0.428
Rural	0.326	0.311	0.332	0.363
Urban	0.395	0.347	0.426	0.477

\* Excluding Kitgum, Gulu, Bundibugyo, Kasese and Pader. If these (except Pader) are included, poverty in 2002 will be 66 percent instead of 63 percent in northern Uganda and 39 percent at the national level rather than 38 percent.

Source: PEAP 2004/05–2007/08

14. The Second Uganda Participatory Poverty Assessment Program, carried out by the government in 2003, identified several factors leading to high poverty levels. These include a heavy burden of disease; limited access to land and other assets; insecurity, particularly in northern Uganda and in the east; lack of control over productive resources by women; and high fertility rates. It reiterated that even with the dramatic decline in poverty over the last decade, poverty in Uganda remains a serious problem.

15. Uganda's high population growth rate of 3.4 percent per year (the third highest in the world) poses a significant challenge in reducing poverty and inequality. High population growth creates a requirement for both rapid and widely-shared growth. Policies to increase the productivity of agriculture are particularly important. Striking the right balance between investing in areas that will support growth, and meeting the immediate demands of the poor for better services is also important. Implementing programs to promote girls' education, child survival, and access to family planning and reproductive health services are essential to reduce fertility rates over the longer term.

### **Social developments and progress towards the MDGs**

16. In step with good economic performance, key social indicators improved during the 1990s. The introduction of universal primary education has been followed by a big improvement in the distribution of expenditures for primary education, largely in favor of the poor and of girls. Gross primary school enrolment increased from 71 percent of school age children in 1990 to 127 percent in 2003. Primary completion rates remain a challenge raising concerns about the quality of education. The decade long effort to bring health services closer to the poor, as well as the recent abolition of user fees has also helped to improve the access of the poor to public health services. As a result, under-five mortality declined from 180 per 1,000 live births in 1988/89 to 152 in 2000. These achievements enabled Uganda to improve its ranking in the UNDP's Human Development Report from 154 out of 173 countries in 1994 to 144 out of 177 countries in 2005.

Table 2: Uganda's MDG and PEAP targets and status

Uganda: MDG and PEAP Targets and Status							
	1990 (or closest available)	2005 (or latest available)	2007/2008 PEAP Target	2013/2014 PEAP Target	2015 MDG Target	Target possible at current trend ?	Target possible with better policies, institutions, and additional funding ?
<b>1. Eradicate extreme poverty and hunger</b>							
<i>2015 target = halve 1990\$1 a day poverty and malnutrition rates</i>							
Poverty headcount ratio (%)	56	38		28*	28	yes	yes
Prevalence of child malnutrition (% of children under 5)	23	23			12	no	yes
<b>2. Achieve universal primary education</b>							
<i>2015 target = net enrollment, etc, to 100</i>							
Net primary enrollment ratio (% of relevant age group)	58 boys 48 girls	87 boys 86 girls	90 boys 89 girls	100*	100	yes	yes
Primary completion rate (% boys and girls)		56	69		100	no	yes
<b>3. Promote gender equality</b>							
<i>2015 target = education ratio to 100</i>							
Ratio of girls to boys in primary education (%)	83	99	100*	100*	100	met	yes
<b>4. Reduce child mortality</b>							
<i>2015 target = reduce 1990 under 5 mortality by two-thirds</i>							
Under 5 mortality rate (per 1,000)	177	152			53	no	uncertain
Infant mortality rate (per 1,000 live births)	98	88		68	32	no	uncertain
Immunization, DPT3 (% of children)	45	83		90		n/a	
<b>5. Improve maternal health</b>							
<i>2015 target = reduce 1990 maternal mortality by three-fourths</i>							
Maternal mortality ratio (modeled estimate, per 100,000 live births)		505	354		126	no	uncertain
Deliveries in health care centres (% of total)		24		50		n/a	met
<b>6. Combat HIV/AIDS, malaria and other diseases</b>							
<i>2015 target = halt, and begin to reverse, AIDS, etc.</i>							
Prevalence of HIV, total (% of adult population)	20	6.2	5*		<20	met	yes
<b>7. Ensure environmental sustainability</b>							
<i>2015 target = integrate into Gov. policies, reverse loss of environmental resources, halve proportion of people without access to safe water and sanitation</i>							
Forest area (% of total land area)	45	65 urban 24	100* urban 27*	30*	>24 90	yes	yes
Access to safe water (% of population)	55 rural	90* rural					
Access to improved sanitation (% of population)		65 urban 56 rural	100* urban 80* rural				
Titled land (% of land)		13	17	25			
<b>8. Develop a Global Partnership for Development</b>							
<i>2015 targets = sustainable debt, make available benefits of new technologies</i>							
Debt service (% of exports of goods and services)		305	238	187		yes	yes
* PEAP Targets more ambitious than MDGs							
Sources: 2004 PEAP, Demographic and Health Surveys, National Household Survey							

17. Uganda has made substantial progress towards achieving the MDGs, although more needs to be done if all are to be achieved.<sup>9</sup> As can be seen from table 2, with continued good policies, Uganda appears likely to achieve one of the targets for MDG 1 (eradicate extreme poverty), MDG 3 (promote gender equality and empower women), MDG 6 (combat HIV/AIDS), MDG 7 (ensure environmental sustainability), and MDG 8 (develop a global partnership for development). Uganda may also be able to achieve MDG 2 (achieve universal primary education) with greater effort to encourage children to complete primary education. With adoption of improved policies, strengthened institutions, and additional funding, the country may be able to meet the target for hunger. However, progress towards MDG 4 (reduce child mortality) and MDG 5 (improve maternal health) is uncertain even with improvements in policies, institutions, and funding.

18. According to the U.N. Millennium Project Report (2005), with additional resources and the right policy measures, Uganda may be able to reach all the PEAP and MDG targets. The government, however, continues to be concerned that large fiscal deficits associated with high levels of aid will increase donor dependency and have adverse macroeconomic effects. Its priority is to use existing resources more efficiently and to target additional external resources (consistent with Uganda's macroeconomic framework) on investment in support of growth and physical infrastructure. The government is also giving priority to measures that will improve the effectiveness of existing public expenditure, including through better monitoring and evaluation.

<sup>9</sup> It is important to note, however, that Uganda's long-term development objectives are set out in the PEAP and that the PEAP contains targets that are as ambitious, and in certain areas (HIV/AIDS), even more ambitious than the MDGs.

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### Box 3: Addressing gender issues in Uganda

Uganda has shown exceptional leadership in addressing gender issues in the 2004 revision of its PEAP. The PEAP strongly articulates the relevance of gender for growth, poverty reduction, and meeting the MDGs. The PEAP recognizes that economic incentives differ for men and for women, and that this has important implications for GDP growth and output.

To this end, the PEAP identifies actions to enhance gender equality as one of the critical measures required to boost GDP growth to the 7 percent per year PEAP target. The government incorporated key gender issues into the PRSC5 including:

- (a) supporting the mainstreaming of gender and equity objectives in planning and budgeting through implementation of the gender and equity budget guidelines issued in 2004;
- (b) deepening the work program on gender and growth linkages for policymaking in Uganda, with increasing focus on trade and strengthening women's entrepreneurship, as part of the wider growth-supporting framework of the PEAP;
- (c) supporting further implementation of the Land Sector Strategic Plan to strengthen women's land rights;
- (d) continuing to support the implementation of the gender-focused elements related to the justice, law and order sectors, including strategies to support passage of the domestic relations bill, and to launch the preparation of the sexual offences bill; and
- (e) continuing support to the revision and subsequent implementation of the country's national gender policy.

### Regional integration

19. The signing in 1999 of the East Africa Community (EAC) treaty by Kenya, Tanzania and Uganda has revived the process of regional integration. The objective of the new EAC treaty is to achieve deeper regional integration among the three member states, first with the establishment of a customs union, then in due course a common market, a monetary union, and ultimately a political federation. The EAC launched a customs union in January 2005, and a three-band common external tariff that now applies to all imports into the customs union.

20. Regional integration is expected to benefit the member states in several ways. It will enhance the competitiveness of regional producers by enabling them to benefit from economies of scale. Improvements of the northern corridor road, which links Uganda to the port of Mombasa, and a joint concession for Uganda and Kenya Railways is expected to substantially lower the costs of transportation goods, currently estimated at 35 percent of the value of Uganda's exports. The integration of the national power grids through the planned East African Power Master Plan is expected to generate benefits of some US\$500 million. The EAC is also expected to increase market transparency and reduce transaction costs for firms operating across the region. By reviving regional cooperation in the management of Lake Victoria and other shared natural resources, it will also contribute to the sustainable management of important regional environmental resources.

21. But deeper regional integration poses challenges. The Ugandan government is having to cope with modest losses of customs revenue, because the country now imports a larger proportion of goods from within the EAC (which face low tariffs) than from outside. Uganda's producers now face greater competition from Kenyan and Tanzanian producers, and must make adjustments to improve efficiency and overall competitiveness. Some face higher costs for raw and intermediate inputs as a result of the common external tariff.

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## Governance

22. Uganda's rating in many areas of governance today is little better than during the mid-1990s. Concrete progress in improving governance is critical for Uganda to meet its development objectives. This will free available resources for public purposes instead of for private benefit, attract private sector investment, and unlock financing from development partners.

23. While Uganda's score in Transparency International's global corruption perception index improved from 1.9 in 2001 to 2.6 in 2004, it stood at 2.6 in 1998. Uganda remains in the category of 60 countries with a score of less than 3 out of 10, regarded as countries afflicted by "rampant corruption." The government is taking action to combat corruption. It has established the institutions required to fight corruption and prepared a credible anti-corruption strategy. But these measures have yet to yield tangible results. The government has failed to successfully prosecute a single high-profile case of corruption following various commissions of inquiry. This raises questions about the government's commitment to genuinely fight the problem. Strong political will and adequate financing of anti-corruption agencies are both required to combat corruption.

24. Progress has been made in strengthening the systems of public financial management to reduce opportunities for corruption. The 2004 Country Integrated Fiduciary Assessment shows that between 2001 and 2004 performance improved in seven of the 18 areas assessed, although overall fiduciary risk remained high.<sup>10</sup> Compared with other HIPC countries, Uganda's system of public financial management is relatively strong. The IMF/World Bank 2005 comparative assessment of public financial management in 26 HIPC countries ranked Uganda fifth overall with "some upgrading required." Its ranking was ahead of 19 countries where "substantial upgrading is required." Nonetheless, Uganda's performance slipped slightly, as it met only eight of 16 benchmarks in 2004 compared with nine in 2001.<sup>11</sup>

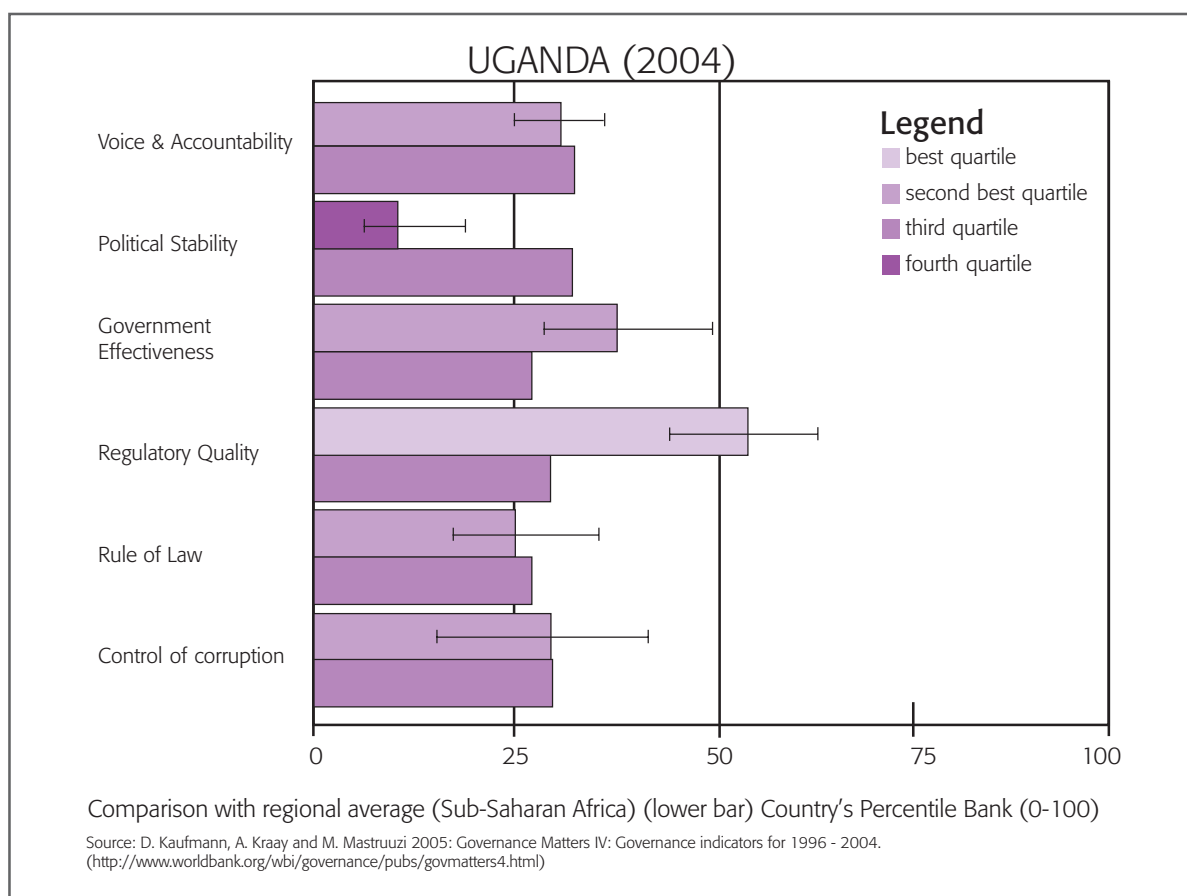
25. Uganda ranks well above the sub-Saharan average in the areas of regulatory quality and government effectiveness, according to 2004 governance indicators compiled by the World Bank Institute (see figure 2). Uganda ranks about the same as the Sub-Saharan average in the area of control of corruption. However, it falls short of the Sub-Saharan average in the areas of rule of law, and voice and accountability, and well below average in political stability.

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<sup>10</sup> The country integrated fiduciary assessment has four risk categories: low, medium, high and very high.

<sup>11</sup> IMF/World Bank (2005), "Update on the assessment and implementation of action plans to strengthen capacity of HIPCs to track poverty-reducing public spending," report 32116. The standards for the benchmarks were revised slightly upward for the 2004 exercise.

Figure 2: Uganda: Governance compared with Sub-Saharan Africa



Key: – Uganda is the top bar, Sub-Saharan average is the bottom bar. The thin black line indicates the margin of error.

26. Uganda's human rights record remains relatively poor. More needs to be done to protect the right to life and liberty in the conflict-affected north, according to the 2004 the United Nations Human Rights Committee.<sup>12</sup> Arbitrary detention and torture, and domestic violence remain serious concerns.

### Political transition

27. Under the National Resistance Movement government, Uganda has been able to deliver better development outcomes and provide for greater representation of poor people's interests than previous regimes. Uganda has also enjoyed a relatively free press for almost two decades. In a referendum on July 28, 2005 Ugandans, albeit in a low turnout, voted to restore multiparty politics and the government has pledged that for the first time since 1980 the elections in 2006 will be contested on a multiparty basis. Concerns, nonetheless, remain about the nature, timing, and extent of Uganda's political transition process, including whether amendments to the legal framework will be in place for credible, multiparty elections in 2006. A smooth transition to a multiparty system will demonstrate the government's commitment to deepen democratization and will enhance its international reputation.

<sup>12</sup> "Concluding observations of the U.N. Human Rights Committee" on the report submitted by Uganda under article 40 of the International Covenant on Civil and Political Rights, May 4, 2004.

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## Conflict

28. There has been a major conflict in the north for the last 19 years, involving the Lord's Resistance Army. Violence also continues in the Karamoja districts amongst the Karamojong themselves and with their neighbors. Instability in some of Uganda's neighboring countries persists, with potentially negative consequences for Uganda's development prospects. Despite the agreement signed in 2002 between the Government of Uganda and the Uganda National Rescue Front II bringing peace to the West Nile region, the economic and social development that will ensure the sustainability of peace remains a challenge.

29. The cost to human life and development of the conflict in the north has been acute. About 1.6 million people are now displaced, nearly 90 percent of whom are living in camps. These camps are overpopulated and lack basic social services. Their inhabitants are largely unemployed and unable to contribute to the country's economic development. Mortality rates in the north are extremely high. Moreover a lack of effective law enforcement and protection of civilian rights leave people vulnerable to abuse. High and persistent poverty in the north is contributing to the recent lack of progress in reducing poverty nationally in Uganda, and to rising inequality. Special efforts are needed to foster national and regional reconciliation as well as peace building. Planning for reconstruction and development to facilitate the return of internally-displaced people to their home villages is also critical.

30. The response from central government to protection of the civilian population and humanitarian situation in the north has been inadequate. The international community continues to provide the majority of assistance to meet humanitarian needs. Insecurity hampers efforts of the U.N. agencies and of nongovernmental organizations in providing services. Local government is also unable to play an effective role in addressing the changing emergency needs, partly due to budgetary policies that restrict shifting centrally-allocated resources between budget lines. Districts have occasionally returned resources to central government. Poor access to basic services will affect future development in the area even if peace should be restored.

## Civil society

31. Uganda's civil society has grown rapidly during the past twenty years, with the number of registered NGOs rising from 160 in 1986 to 3,500 in 2000. During the repressive regimes of the 1970s and early 1980s, the operation of civil society organizations was restrained, with their role restricted to provision of social services. As a result, when the National Resistance Movement came to power in 1986, civil society was much weaker in Uganda than in neighboring countries.

32. Today, civil society organizations are key partners in formulating, in implementing, and in monitoring and evaluating the PEAP. They are increasingly involved in ensuring that a wide variety of voices are reflected in policy development, resulting in policies that better reflect the priorities of the poor. Civil society organizations in 2003 managed an extensive consultative process for the revision of the PEAP, providing detailed policy proposals in all its aspects and ensuring that a wide variety of perspectives were reflected in policy development. They contribute to implementation of the PEAP by delivering services and promoting community development, either independently or as subcontractors to local government. They are also actively monitoring implementation of the PEAP, at both the national and local levels. The government should continue to promote genuine government and civil society partnership in the context of PEAP implementation and monitoring. Proposed legislation to regulate the operations of nongovernmental organizations (NGOs) needs to be drafted carefully to unnecessarily avoid restricting their activities.

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### 3. UGANDA'S POVERTY ERADICATION ACTION PLAN

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33. The government prepared its first PEAP in 1997, providing a model for the poverty reduction strategy approach. It revised the PEAP in 2000 and again in 2004. The latest revision was based on broad consultation and required 18 months to complete. It was approved by the cabinet in November 2004 as a national framework for development.

#### The PEAP 2004

34. The PEAP 2004 restates Uganda's ambitions of eradicating mass poverty and of becoming a middle income country in the next twenty years. The PEAP's results and policy matrix specifies targets for key outcomes (box 4 presents key strategic result indicators in selected areas). This results and policy matrix provides the framework for UJAS partners to align their interventions with the country's development strategy (see chapter 4).

#### Box 4: Uganda: Key PEAP planned strategic results

##### Reduced Poverty and Inequality

- Proportion of the population living below poverty line reduced from 38 percent in 2003 to 28 percent by 2013/14.
- The Gini coefficient (a measure of inequality) reduced from 0.43.

##### Improved Human Development

- Infant mortality rate reduced from 88 to 68 per 1,000 live births (2003–08)
- Maternal mortality rate reduced from 500 to 300 per 100,000 live births (2003–08).
- Literacy increased to 85 percent of both men and women (2010).

##### Increased GDP growth

- Real GDP growth rises from the 2003 level of 5.2 percent to an average of 7 percent.

35. The PEAP 2004 argues for a shift of policy focus from recovery to sustainable growth and structural transformation and presents specific government policies to accelerate poverty reduction. It identifies four core challenges:

- Restoring security, dealing with the consequences of conflict, and improving regional equity
- Restoring sustainable growth of the incomes of the poor
- Human development
- Using public resources transparently and efficiently to eradicate poverty.

36. These challenges are to be addressed through a series of policies and measures grouped under five pillars:

*Pillar 1: Economic management.* The government's strategy aims to maintain macroeconomic stability and to promote private sector driven, export-led growth. Macroeconomic stability will be achieved by containing inflation, by mobilizing domestic revenue, and by reducing the fiscal deficit (to cut the cost and increase the volume of private sector borrowing, reduce the cost of servicing domestic debt, ease upward pressure on the exchange rate, improve budget security and reduce donor dependency, and improve both external and domestic debt sustainability). The strategy also contains measures to promote financial deepening and development of micro finance institutions, to introduce competition into the pension sector, and to promote private investment, trade liberalization, and export diversification.

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*Pillar 2: Enhancing competitiveness, production and incomes.* The strategy calls for implementing the Plan for Modernization of Agriculture and implementing the Medium-Term Competitiveness Strategy to attract private sector development. Key elements of the strategy articulated in the PEAP include (a) increasing investment in transport infrastructure and in energy systems; (b) removing bureaucratic obstacles and exploring cost-effective ways of delivering business development services to micro, small, and medium size enterprises; (c) increasing the outreach of financial services, particularly to farmers; (d) expanding agricultural research and extension services, rural infrastructure, energy, market information, and other agricultural services; and (e) improving incentives for sustainable management of natural resources.

*Pillar 3: Security, conflict resolution, and disaster management.* The overall objective of the strategy in this area is to enhance the quality of people's lives by improving security. Interventions aim at improving the defense and police services, more speedily and effectively resolving conflicts, reducing cattle rustling, controlling small arms, strengthening disaster preparedness and management (including programs to assist refugees and internally-displaced people), and rehabilitating and reconstructing infrastructure and livelihood systems in conflict-affected areas.

*Pillar 4: Governance.* The overall objective of the pillar is to strengthen political governance, human rights, legal and justice systems, and public sector management and accountability. These objectives will be achieved through measures ranging from promoting democracy to reforming the public services.

*Pillar 5: Human resource development.* Human development is both a necessary condition for and a central objective of development. Key priorities in education are to improve the quality of and completion rates in primary education, to enhance the quality of, access to, and linkages to employment of post-primary education (including skills development), and to increase the relevance and quality of higher education and adult literacy education. Key priorities for improving health services are to improve quality of and access to child and maternal health care, to continue to implement reforms specified in the Health Sector Strategic Plan, and to build on past success in reducing HIV prevalence (particularly in the north where rates are higher than the national average).<sup>13</sup> Other priorities include increasing parents' ability to plan the size of their families, and initiating a public discussion on the implications of high fertility rates for households and for national economic development. Investing in water and sanitation systems, particularly in rural communities, is also emphasized.

37. On public expenditure, the PEAP emphasizes the need to improve the efficiency of public spending and the use of aid resources. It sets out specific criteria for allocating public expenditure, targeting growth (by focusing on infrastructure and agriculture), human development, and security. It also specifies spending shares by sector in 2003/04 and presents targets for spending shares for 2013/14. The PEAP acknowledges the benefits of the Poverty Action Fund in enhancing development partner confidence that resources are being used to tackle poverty, but also notes the government's desire to phase out the Poverty Action Fund in the long term and to allocate funds for pro-poor programs through the normal budget processes. The chapter highlights the government's determination to introduce hard budget ceilings that encompass both government and development partner funding. It restates the government's assessment that Uganda does not require significant increases in aid, its concerns about debt, and its preference for budget support.

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<sup>13</sup> For details, see the 2003 report of the Infant and Maternal Mortality Task Force.

38. The PEAP results and policy matrix sets out specific medium-term (2007/08) and long-term (2013/14) targets for selected outcomes under each pillar, and the critical policy actions judged necessary to meet them. The PEAP targets are at least as ambitious as the MDGs and some are slightly more ambitious (see table 2).

### Box 5: PEAP: Joint Staff Advisory Note 2005

The Joint Staff Advisory Note of the PEAP 2004 prepared by the staffs of the IMF and the World Bank applauds the government for making substantial progress in incorporating the five core principles of poverty reduction strategies in its PEAP.

1. *Country ownership.* Preparation of the PEAP was clearly a government-driven process, and included broad participation by civil society, local government, and the private sector.
2. *Results orientation.* The PEAP results matrix contains clearly defined targets, with annual actions and outputs highlighted to create greater accountability. Efforts are ongoing to develop a more comprehensive results matrix that can be monitored annually and that will help to bring into one framework multiple monitoring and evaluation processes used by the government and development partners.
3. *Comprehensiveness.* The definition of poverty and measures to address poverty are much broader and more comprehensive than in the past, and pay greater attention to cross cutting issues.
4. *Partnership focus.* The PEAP reflects a broad consultative process and identifies the important role of all stakeholders—technocrats, politicians, civil society and development partners—in defining, implementing, and achieving the PEAP targets.
5. *Long-term outlook.* The PEAP builds on a strong MTEF with well-costed activities linked to the targets, and defines actions over a long term for achieving the MDGs.

The Joint Staff Advisory Note proposes strengthening the PEAP in five areas. These are:

1. *Tackling insecurity and poverty in the north and east.* Insecurity in the north and the east is limiting the effectiveness of policies to reduce the average national poverty rate. Bringing down poverty in the north and the east to the national average would reduce Uganda's overall poverty rate by about 6 percentage points.
2. *Strengthening the macroeconomic framework.* Better analysis of the sources of growth—especially analysis of the reasons for relatively low productivity gains in recent years—and further elaboration of measures required to increase productivity are needed. Analysis of how to manage a potential scale-up of programs to reach the MDGs in a way that does not jeopardize macroeconomic stability is also called for. This will require increased mobilization of domestic revenues and greater prioritization of expenditures in line with the policy of fiscal consolidation.
3. *Promoting growth.* Promoting growth will require substantial investments in infrastructure and reform of policies. The PEAP emphasizes the tension between the resource requirement for investments and the expectation of Ugandans for improved access to quality services. This tension is exacerbated by the fact that over 50 percent of the population is now in the dependent age groups with the young requiring primary and secondary education and the old seeking health care. Hence, a longer-term vision on the best way to deliver key social services on a sustainable basis is needed. A deeper analysis of how to address one of the highest population growth rates in the world would also be useful. Investment in services targeting smallholder agriculture and in infrastructure (such as in transportation infrastructure and electricity) are needed to bring about a structural transformation of the economy from one that relies heavily on the production of primary products to one that features industrial goods and services.
4. *Enhancing human development.* Along with increasing access to services, more can be done to improve the quality of services in Uganda. Uganda still faces considerable difficulties in achieving health-related MDGs.
5. *Improving governance.* Uganda's progress on governance is mixed. Much more is required if the PEAP objectives are to be achieved. Improving political governance is a particular challenge.

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## 4. A JOINT RESPONSE

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### Strategic Principles of the Uganda Joint Assistance Strategy

39. The UJAS is centered on three principles, which are consistent with those articulated in the Paris Declaration on Aid Effectiveness. These are:

- Supporting implementation of the country-owned and led revised PEAP to achieve the MDGs.
- Collaborating more effectively, both among development partners and with the government.
- Focusing on results and outcomes (including managing resources and improving decision-making for results, and strengthening systems for monitoring and evaluation).

40. The first part of this chapter discusses how these core principles shape the UJAS. The second part of this chapter describes how planned support of UJAS partners will assist Uganda in reaching selected outcomes specified in the PEAP results and policy matrix.

### Supporting the implementation of the revised PEAP

41. The UJAS seeks to fully align its partners' activities with Uganda's PEAP and is responsive to the government's Partnership Principles. The PEAP and the Partnership Principles highlight the government's preference for general budget support over any other instruments for delivering aid. UJAS partners will respect this preference to the extent possible, given the constraints imposed by the policies of their institutions. Collectively, they will channel a greater proportion of their assistance through coordinated budget support, SWAPs, and basket funding arrangements, assuming that the government maintains a favorable policy framework. The number of stand-alone projects outside core sector programs will be reduced. Project aid will still be used to support activities such as capacity building and institutional strengthening, community-driven initiatives, provision of humanitarian aid, and support for privately financed infrastructure investments. All project aid, except that channeled through NGOs, U.N. agencies, and the private sector will be integrated into the MTEF.

42. UJAS partners will continue to support policy analysis and engage in dialogue to help the government prioritize expenditures and reform policies to more rapidly achieve PEAP targets and the MDGs. Such initiatives may be particularly relevant for conflict resolution and for strengthening of political governance. But in all instances the UJAS partners will avoid parallel interventions and will work within appropriate Ugandan frameworks.

43. A flexible approach to assistance is required. UJAS partners therefore will adapt their level and nature of support in response to emerging national developments and needs. Adjustments will be made in consultation with the government and with other partners. The annual UJAS review process (based on the annual PEAP implementation review process discussed in chapter 6) will provide the opportunity for identifying and agreeing any changes.

### Working better together

44. The UJAS partners understand "working better together" to mean increasingly using common arrangements to deliver aid and to achieve a more effective division of labor among themselves in supporting specific sectors or programs. To this end, partners will strive to increasingly harmonize programming and policy dialogue, and to rationalize engagement in sectors, choice of aid instruments, and advisory capacity.

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### *Progress in harmonization*

45. Considerable progress has been made recent years in harmonizing development assistance in Uganda. Progress includes:

- Meeting every month as the local development partners group to discuss economic and governance issues; and (excluding the World Bank and AfDB) meeting as the Partner for Democracy and Governance to discuss the key political governance issues in Uganda.<sup>14</sup>
- Increasingly coordinating provision of budget support as the main instrument for supporting implementation of the PEAP, harmonized around PRSCs and the government's budget process.
- Closely coordinating budget support operations, including the PRSCs, with the Poverty Reduction and Growth Facility (PRGF) of the IMF.
- Increasingly coordinating and sharing analytical and advisory work, appraisals and reviews, fiduciary assessments, and accountability rules (for example, the multidonor country integrated fiduciary assessment and analytical work on gender and poverty).
- Increasingly coordinating sector support by supporting a number of mature SWAp, engaging with government sector working groups, using basket funding mechanisms, and bringing development partner-funded projects into alignment with sector strategies. Partners are providing assistance through SWAp for health, education, water, HIV/AIDS, and justice, law, and order that bring together all development partners in these sectors. In addition, partners have adopted joint financing arrangements for strengthening of local government, and for technical assistance for public financial management. A number of development partners are pooling their funds in support of regional programs, such as the Multicountry Demobilization and Reintegration Program.
- Increasingly pursuing joint policy dialogue. All partners participate in a joint dialogue on the public expenditure review, and in the joint dialogue on the north through a Donor Technical Group. All bilateral partners are coordinating dialogue on governance and human rights through the Partners for Democracy and Governance Group.
- Adopting silent partnerships in which one development partner formally represents another in policy and sector dialogue, a practice that has significantly reduced transactions costs of dialogue for both development partners and the government.
- Increasingly adopting joint development partner approaches to supporting nonstate sectors. Joint working groups on civil society and on private sector development have been established.

### *Future directions in harmonization*

46. The UJAS partners will build on progress made in harmonization. They will seek to increase their selectivity in the use of aid modalities, and development partners who are able to provide general and sector budget support will make this their priority.

47. All development partners are increasingly aware that there is still substantial scope for harmonizing approaches to the provision of budget support. Aligning budget support timetables and the framework for decisions is an important objective for the early stages of the implementation of the UJAS.

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<sup>14</sup> The Partners for Democracy and Governance is a group of 16 development partners (Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Sweden, U.K., U.S., EC, and UNDP). The objective of the group is to support actions and programs that deepen democracy and facilitate the transition towards greater political pluralism in the period leading up to and during the 2006 elections; and that promote human rights and good governance.

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48. UJAS partners are also committed to achieve greater harmonization at the sector level. Currently, progress is most advanced in the health and water sectors, and a clear model has emerged for best practice on the basis of this experience. This involves aligning development partner support (including through projects) with sector priorities agreed with the government, providing assistance predictably, complementing support provided by others (including through the choice of aid modality), and harmonizing development partner assessments with a government-led review. UJAS partners' aim is to apply this model as relevant in all sectors. A key area where further coordination is needed is support for capacity building.

49. UJAS partners will increasingly rationalize the program and policy areas in which they are engaged. It is hoped that the government will take the lead in this process of increasing selectivity, although it will also require development partners to critically self assess their comparative advantages. An assessment of comparative advantages will take place in the period leading up to the first UJAS annual review in 2006. Efforts will be made to involve non-UJAS partners in this process. At the time of the review it is intended that UJAS partners will agree on the areas in which each will remain engaged and those in which they will delegate responsibility to others.

### *Summary*

50. Table 3 summarizes progress so far in harmonization and plans for further harmonization.

**Table 3: Current and planned partnerships in implementing the PEAP**

PEAP Area	UJAS Partners	Non-UJAS Partners <sup>15</sup>	Increasing Harmonization	Increasing Selectivity
<b>Cross-cutting Support for All Pillars</b>				
Increased growth and poverty reduction	Budget support donors <sup>16</sup>	EC, Ireland, IMF	Plans to develop joint budget support arrangement	
<b>Pillar 1: Economic Management</b>				
Macroeconomic stability consistent with rapid private-sector led growth	DFID, Germany, Netherlands, Norway, Sweden, World Bank	EC, Ireland, IMF	DFID and Denmark considering a joint project to build capacity of the Uganda Revenue Authority  Joint analytical around the public expenditure review, the country economic memorandum	
<b>Pillar 2: Enhancing Production, Competitiveness, and Incomes</b>				
Increased and more efficient private sector production/production of nonagriculture goods and services	Austria, DFID, Germany, Norway Sweden, World Bank	Denmark, EC, Ireland, UNDP, U.S.		Austria has disengaged from direct credit and loan subsidies.
Increased and more efficient agricultural production	African Development Bank, Austria, DFID, Netherlands, Sweden, World Bank	Belgium, Denmark, EC, International Fund for Agricultural Development, Food and Agriculture Organization, JICA, U.S.	The AfDB and DFID exploring joint policy work	DFID has disengaged from fisheries, and forestry  Norway has disengaged from agriculture
Strengthened environment and natural resource management	World Bank, AfDB	Belgium, Arab Bank for Economic Development, Denmark, EC, Ireland, U.S.	A SWAp for the environment and natural resource management sector is planned	DFID, Germany, Netherlands have disengaged from environmental programs
Strengthened infrastructure in support of increased production of goods and services	African Development Bank, Germany, Netherlands, Norway, Sweden, World Bank	Belgium, Denmark, EC, JICA	An informal energy donor working group has been established, and a formal SWAp is being discussed	Germany has disengaged from transport sector Germany represents the Netherlands in energy
<b>Pillar 3: Security, Conflict Resolution,, and Disaster Management</b>				
Reduced insurgency and conflict and increased reintegration of internally displaced people	African Development Bank, Austria, DFID, Germany, Netherlands, Norway, Sweden, World Bank	Belgium, Ireland, EC, JICA	Germany leading the development of a training initiative on conflict, which may involve the EC, Norway, Sweden, and Denmark  Possible joint support to promote economic and social recovery in the north if the security situation allows	

<sup>15</sup> Since the UJAS was agreed Belgium, Denmark, the EC and Ireland have joined.

<sup>16</sup> Germany leading the development of a training initiative on conflict, which may involve the EC, Norway, Sweden, and Denmark Possible joint support to promote economic and social recovery in the north if the security situation allows

PEAP Area	UJAS Partners	Non-UJAS Partners	Increasing Harmonization	Increasing Selectivity
<b>Pillar 4: Good Governance</b>				
<b>Strengthened political governance</b>	Austria, DFID, Netherlands, Norway	Arab Bank for Economic Development, Denmark, EC, Ireland	Several bilaterals coordinating support for governance through the Partners for Democracy and Governance basket fund Basket fund for parliament established	
<b>Improved human rights</b>	DFID, Netherlands, Sweden.	Denmark, EC, Ireland, UNDP	DFID and the EC are considering support for a joint civil society program in 2008/09 Uganda Human Rights Commission basket fund established	Austria has disengaged direct support to the Uganda Human Rights Commission
<b>Strengthened legal and justice systems</b>	Austria, Germany, Netherlands, Norway, Sweden.	EC, Ireland	Justice, Law and Order SWAp Legal Aid Basket Fund	Several bilaterals support legal aid through the Legal Aid Basket Fund managed by Danida.  Netherlands provides advisory support to DFID on the Justice, Law, and Order sector. It also represents DFID in sector dialogue.
<b>Strengthened public sector management and accountability</b>	African Development Bank, DFID, Netherlands, Norway, Sweden, World Bank	UNDP, U.S., Ireland, JICA, IMF	DFID, Austria, Ireland, Danida supporting basket fund for the Public Service Reform Program.  Norway and DFID considering basket fund for Public Financial Management Reform Program  Germany and Sweden are pooling their funds in support of development of financial systems.  DFID, the EC, the AfDB, and the World Bank plan joint support to a basket fund for the Uganda Bureau of Statistics and the development of the plan for national statistical development	Netherlands provides advisory services for DFID on procurement. It also represents DFID in sector dialogue.  World Bank and DFID plan to share advisory capacity on public service reform  The AfDB and DFID plan to share advisory capacity on governance  Austria has disengaged from anti-corruption and will disengage from public service reform
<b>Strengthened local government</b>	Austria, DFID, Germany, Netherlands, World Bank	Denmark, EC, Ireland, U.S.		DFID plans to disengage from decentralization by 2006/2007, with the World Bank representing DFID in policy dialogue

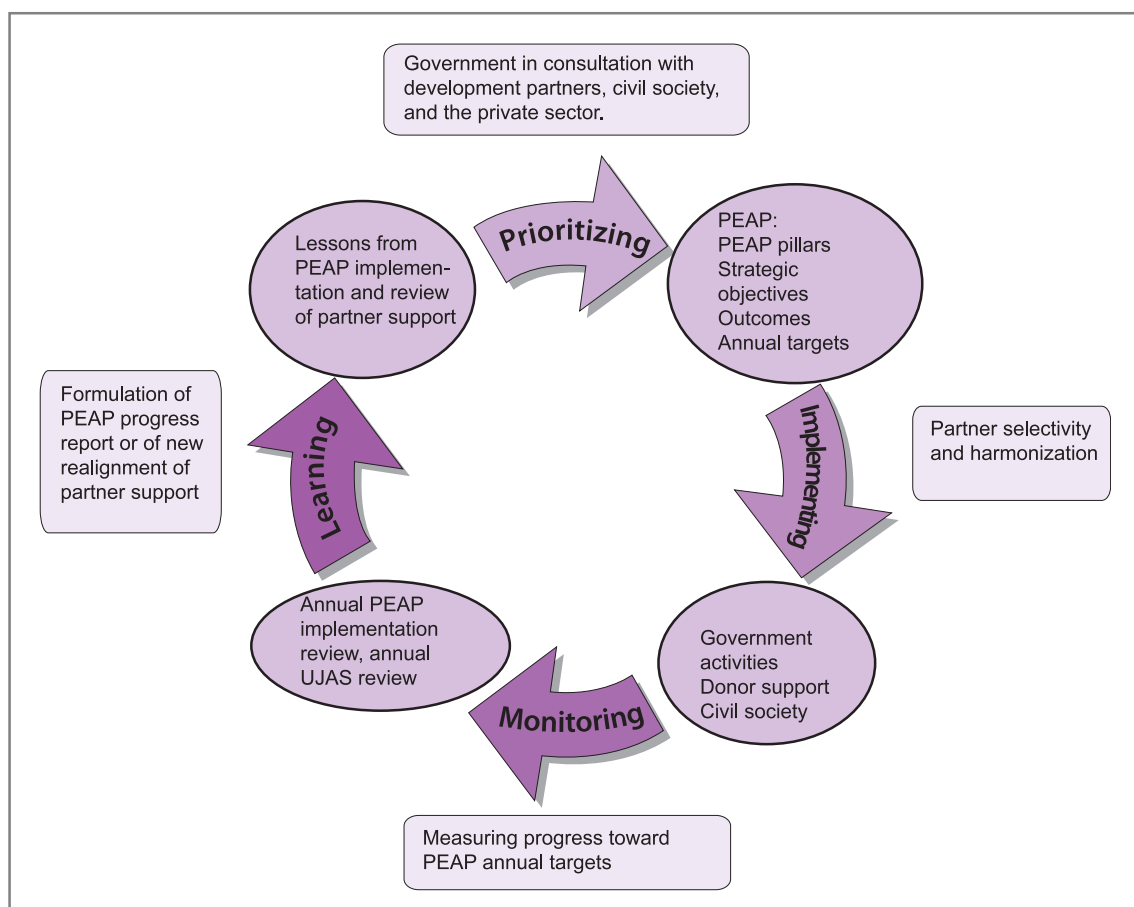
PEAP Area	UJAS Partners	Non-UJAS Partners	Increasing Harmonization	Increasing Selectivity
<b>Pillar 5: Human development</b>				
<b>Better educated Ugandans</b>	African Development Bank, Germany, Netherlands, Norway, Sweden, World Bank	Arab Bank for Economic Development, Belgium, Canada, Ireland, JICA, U.S.	Education SWAp	Netherlands provides DFID advisory support on education. It also represents DFID in sector dialogue.
<b>Healthier Ugandans</b>	African Development Bank, DFID, Germany, Netherlands, Sweden, World Bank	Belgium, Denmark, EC, France, Ireland, Italy, JICA, U.S.	Joint support to Uganda Aids Commission Partnership Fund (Ireland, DFID, Norway) Health Swap	Norway has disengaged from the health sector DFID provides the Netherlands advisory support on HIV/AIDS. It also represents the Netherlands in sector dialogue.
<b>Improved water and sanitation systems</b>	African Development Bank, Austria, DFID, Germany, Sweden, World Bank	Arab Bank for Economic Development, Denmark, EC, JICA	Water and sanitation SWAp	Germany represents the AfDB Denmark represents DFID
<b>Inclusive and empowered communities</b>	African Development Bank, DFID, World Bank	Arab Bank for Economic Development		

51. The results-orientation of the PEAP covers four distinct stages (figure 3). In the first stage, the government prioritizes its development goals. In the second stage, the PEAP is implemented through various interventions, with support from development partners and civil society organizations. In the third stage, stakeholders monitor and evaluate progress towards PEAP outcomes through the annual PEAP implementation review. In the fourth stage, the government revises the PEAP, and partners and civil society organizations realign their support in accordance with emerging circumstances and with the lessons learned from implementation experience.

52. The UJAS results matrix in annex 1 replicates the PEAP outcomes to which partners' interventions will contribute. Specifically it shows: (a) PEAP outcomes, (b) issues and obstacles to achieving PEAP outcomes, (c) milestones, (d) strategies and actions and (e) specific interventions of UJAS partners designed to contribute to the achievement of specific PEAP outcomes.

## Alignment of the UJAS with the PEAP results matrix

Figure 3: Four stages of PEAP results orientation



### Uganda Joint Assistance Strategy Program Focus

53. Although UJAS partners are supporting the implementation of the PEAP in general, they will focus on five areas judged to be especially important for achieving the PEAP's overarching strategic results. These are:

- Support to strengthen the budget process and for cross-cutting reforms. Budget support and grants will assist in reforming public sector management intended to increase the accountability of government.
- Promoting private sector development and economic growth. Growth is a necessary condition for poverty reduction. Growth cannot be achieved without unlocking the potential of the private sector to invest and innovate or without sustained investment in agriculture and infrastructure. Small-and medium size enterprises in particular have the potential to serve as the engines of growth in Uganda, given the incentives to do so.
- Strengthening governance. Despite some progress, much more needs to be done to improve governance. Comprehensive public service reform, stronger public financial management, strengthening of institutions of oversight, and creation of local government capacity are important objectives.
- Promoting improved education and health outcomes. The quality, and not just the quantity, of services is critical to improve outcomes in learning achievement, life expectancy, and child

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and maternal mortality. Now that nearly all Ugandan children are able to attend primary school and households are able to access basic health services, the priority is to enhance the quality of both education and health services to improve outcomes.

- Promoting the resolution of the conflict in the north and fostering the social and economic development of the region. Promoting development of northern Uganda requires action ranging from conflict resolution, to investment in infrastructure, to delivery of social services, and to resettlement of displaced people as the security situation allows.

54. The UJAS is organized to support the five pillars of the PEAP. Budget support will contribute to achievement of the objectives of all five pillars. Individual projects and programs will complement budget support. Support under a specific pillar will contribute to the achievement of objectives of other pillars. For example, UJAS support for resolving conflict and improving governance (pillars 3 and 4) will contribute to enhancing incomes (pillar 2), and human development (pillar 5).

### ***Pillar 1: Economic management***

55. In support of sound macroeconomic management, UJAS partners will provide financial support and offer regular analytic and policy advice aimed at improving budget and public financial management, developing financial systems (including micro and rural financial services), ensuring debt sustainability, and enhancing capacity for collecting and analyzing statistics. UJAS partners will continue to support a range of core diagnostic work to improve fiscal sustainability, including public expenditure reviews, fiduciary assessments, and expenditure tracking studies. They will support activities to modernize systems of the Uganda Revenue Authority and increase mobilization of domestic revenue. UJAS partners will also support privatization, reform of utilities, and enhancement of public service performance. They will support measures to enhance financial management of local government programs and conduct social impact assessment on the reform of local taxes. To address concerns about Uganda's growing debt burden, UJAS partners will provide as much support as possible in the form of grants and support systematic, regular debt sustainability analyses. The UJAS partners in a country economic memorandum will study a range of issues associated with growth, including its distributional aspects.

### ***Pillar 2: Enhancing production, competitiveness, and incomes***

56. The PEAP recognizes the importance of attracting private investment and increasing the productivity and profitability of both farm and nonfarm enterprises to achieve and sustain high economic growth rates. The PEAP adopts the framework provided by the Medium-Term Competitiveness Strategy and the Plan for Modernization of Agriculture to enhance production, competitiveness, and incomes.

#### ***Increased private sector competitiveness***

57. UJAS partners will continue to promote private sector development in several ways. They will help to strengthen public sector management, accountability, and delivery of services. Partners will also help to reduce the cost of doing business in Uganda through programs to reform the financial sector, streamline the regulatory framework, and improve the functioning of business development services. To strengthen commercial justice, activities will focus on improving the capacity of the commercial courts, establishing systems for continuous updating of the companies registry and the land registry, strengthening the commercial regulatory environment, and building capacity of professional legal services. The expected outcome will be enhanced capability of the private sector to enforce contracts in a satisfactory and timely manner. The partners will also support Uganda's efforts to bolster its knowledge economy through enhanced science and technology research and teaching, and through skills development. A trade facilitation project will promote increased cross-border

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transactions through provision of risk insurance. Investment operations aimed at strengthening the functioning of financial systems and promoting microfinance will help to increase private sector access to finance.

58. Analytical work will include a diagnostic trade integration study to further encourage efforts to create regionally integrated markets and to minimize barriers to trade. This study will analyze Uganda's export potential and identify trade policy options and actions to increase capacity for trade. The country economic memorandum on growth will identify the constraints to growth and explore potential new sources of growth. Furthermore, the partners will continue to support annual investment climate assessments, investors' roundtables, and revisions to the Medium-Term Competitive Strategy.

### *Increasing agricultural productivity and rural development*

59. To promote the productivity and diversification of agriculture and the expansion of rural nonfarm enterprises, UJAS partners will support the implementation of the Plan for Modernization of Agriculture. In particular, UJAS partners will support programs to improve livestock productivity, enhance agriculture marketing systems, and increase registration of land ownership, especially for women. The partners will also assist the government to overcome a variety of obstacles to the export of high-value agricultural and fisheries products, including cut flowers, beef, organically-grown vegetables, and Nile perch. Support for the national agricultural research system and the national agricultural advisory services, including the latter's roll-out, will help farmers to access high-quality and timely advice on ways to reduce the risks inherent in agriculture and to produce and market higher-value products. Emphasis will be placed on promoting environmentally-sound technologies that enhance soil quality and improve the management of water resources.

60. To promote rural development more broadly, partners are supporting sector reforms and investments in rural roads and energy, and measures to promote development of rural and microfinance institutions. Partners will also support implementation of a strategy for micro, small, and medium-size rural enterprises, creation of ecotourism infrastructure in protected areas, and development of mining enterprises.

### *Improving infrastructure for growth*

61. The UJAS partners will help create infrastructure that reduces the cost of doing business, links isolated areas of the country to the broader economy, and promotes regional integration. Investments in power generation facilities will increase the reliability and lower the cost of electricity, which is a major cost to business according to the 2004 investment climate assessment. A rural energy program, with the support of the Global Environmental Facility, will harness local entrepreneurial capacity in expanding access of rural communities to modern energy sources, including renewable energy. Projects to build ministerial capacity, promote private sector involvement, and strengthen energy sector institutions will seek to create an efficient, commercially-viable energy sector. Partners will promote improved rural access and regional connectivity through support for the implementation of the ten-year national road sector development program. This will include major upgrading and maintenance of road networks and reforms of road sector institutions. Project support will help Kampala meet the demands of firms and a rapidly growing population (nearly 4 percent a year) for basic infrastructural services. Project support will also boost urban development by linking cities and towns to the national road network and power grid.

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62. An East African Transport and Trade Facilitation Project will enhance regional trade by supporting the rehabilitation of infrastructure along the main transport corridors and improving access to finance for cross-border trade between participating countries. The project will also support the concessioning to the private sector of Uganda Railways jointly with Kenyan Railways to help connect Ugandan markets with the port of Mombasa in Kenya.

### *Strengthened environment and resource management*

63. The UJAS partners recognize the importance of a sustainable, integrated approach to natural resource management for broad-based economic growth. This requires adequately financed regulatory agencies and sound policy and regulatory frameworks. The partners will support improved management and sustainable use of protected areas, and improved productivity and governance of the Lake Victoria ecosystem and of the Nile river. A natural resource management SWAp is planned for the latter half of the UJAS period that will bring together the efforts of all partners in this area.

### ***Pillar 3: Security, conflict resolution and disaster management***

64. UJAS partners will support initiatives in conflict-affected areas that address the various requirements of conflict and post-conflict situations. These include provision of humanitarian assistance, activities to improve security, assistance to promote economic and social recovery, and measures to bring about a solution to conflict and consolidate peace once achieved.

### *Conflict resolution, demobilization, reintegration, and security*

65. A solution to the conflict in northern Uganda is possible during the UJAS period. Bilateral UJAS partners will continue to support efforts to resolve the conflict and will work closely with a number of local groups and individuals involved in attempts to foster dialogue. UJAS partners will also help with reconciliation as a national task. They will support the reintegration of internally displaced people, returning refugees, and former rebels. This will include an intervention under the Multicountry Demobilization and Reintegration Program that will assist the Uganda Amnesty Commission with reintegration and resettlement.<sup>17</sup> Certain programs, including the Northern Uganda Social Action Fund, will be realigned to meet changing needs. A joint needs assessment will be carried out to determine other areas of support. Partners will work to ensure that, where the government is a lead partner, their assistance is firmly integrated within the MTEF and sector strategies. Partners will continue dialogue with government on ways to provide adequate security for inhabitants of conflict areas and to improve human rights, justice, law and order.

### *Disaster management, service delivery, and humanitarian interventions in conflict-affected areas*

66. Partners will work with the government to strengthen systems for managing disasters, delivering services, and providing humanitarian assistance. Partners will also support analytical work that will help improve the effectiveness of programs in the north. This will include a review of public expenditure in the north, collection of data on internally displaced people, and a land use planning study. UJAS partners will also work to improve the capacity of local districts to provide services in areas that have been or still are affected by insecurity.

67. Bilateral UJAS partners will continue to provide humanitarian aid through the U.N., NGOs, and, where appropriate, the government. The UJAS partners recognize that other organizations hold the comparative advantage in effectively meeting humanitarian needs in the north. This is particularly the case for the U.N. agencies; assistance to conflict-affected areas is one of the four areas of cooperation in the new United Nations Development Assistance Framework. The partners will

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<sup>17</sup> The Multicountry Demobilization and Reintegration Program is a regional strategy for demobilization and reintegration in the countries of the Great Lakes. It was developed by a large group of U.N. partners, donors, countries, and other stakeholders. The program provides a framework for national and international efforts to assist excombatants to return to peaceful sustainable livelihoods in countries, including Uganda.

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continue to work together to ensure that humanitarian support is guided by the priorities and programs identified by the U.N. Consolidated Humanitarian Appeal.

#### ***Pillar 4: Good governance***

68. The strategy to promote good governance will focus on dialogue with the government and assistance to build capacity of key institutions. Continued support to civil society by bilateral development partners will be critical to achieve the objectives under this pillar.

##### *Systems of representation, human rights, and justice*

69. Bilateral development partners will provide assistance to the government and civil society and engage in dialogue and negotiation with the government on issues of political governance, democratization, and strengthened protection for human rights. Most UJAS partners will support the Justice, Law, and Order SWAp, which will strengthen legal and judicial systems. They will also work with institutions such as parliament and the Ugandan Human Rights Commission.

##### *Strengthened public financial management and reduced corruption*

70. UJAS partners regard strengthened public financial management and reduced corruption as critical for development. Analytical work will include the fiduciary and budget efficiency/tracking analyses, previously noted in the discussion of pillar 1. Financial support will contribute to the strengthening of public financial management, procurement, and accounting; some partners plan to cofinance the Public Financial Management Reform Program. Support to the Department of Ethics and Integrity and to the Inspector General of Government will strengthen Uganda's anticorruption institutions and help to implement the government's National Strategy to Fight Corruption.

##### *Improved public service delivery*

71. Support for the government's comprehensive Public Service Reform Program will help the government to strengthen public service management and accountability. Assistance aimed at enhancing the financial, institutional, and human capacity of local governments and measures and support to strengthen civil society organizations will help the government achieve its objectives of effectively devolving responsibility for local service delivery. Analytical work on local tax issues and a review of decentralization and effective local service delivery will guide reforms.

#### ***Pillar 5: Human development***

72. The PEAP sets ambitious targets for improving health and educational outcomes. The UJAS partners are committed to supporting Uganda's efforts to combat the HIV/AIDS epidemic and develop quality, accessible, and sustainable health, education, and water and sanitation services. They will help implement policy frameworks for population and related reproductive health issues. They will support measures to promote equity of women, the poor, and the vulnerable, with priority actions mainstreamed into sector plans and budgets.

##### *Improving access to high-quality education*

73. The government has articulated its priorities for education in its Education Sector Strategic Plan 2004–2015. These are to significantly increase equitable access to education at all levels, to improve the quality of education, to strengthen linkages to employment of post-primary education, to increase the relevance of higher education and adult literacy education.

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74. UJAS partners will support the implementation of the government's strategy through a wide range of interventions. General budget support will provide most of the financial resources. Additional project support will include a major initiative to foster science and technology aimed at improving the capacity at the tertiary level for science research and training while strengthening linkages to science education at the secondary level. Analytical work will be undertaken to review the quality of education, in particular vocational training, to identify measures for improving school management and raising and monitoring teaching standards. Other analytical work will focus on promoting private sector participation in provision of post-primary education. Partners will participate in annual joint education sector reviews that examine progress in attaining targets for the sector.

### *Promoting better health*

75. The government's strategy for health services, laid out in the Health Sector Strategic Plan, is to provide all Ugandan households with access to a minimum package of health services that includes interventions targeting the most cost-effective measures for improving the health status of the population. Such interventions include childhood immunization; prevention and treatment of malaria, sexually transmitted infections, and environmentally-transmitted diseases; and assistance for reproductive health services. Other elements of the strategy focus on prevention and on improving the quality of and access to child and maternal health care through multisectoral interventions. The strategy calls for strengthening the capacity of the ministry of health for human resources planning and development, expanding and improving the quality of training of health care workers, and building capacity of the district health systems for planning, financing, and managing the system.

76. General budget support will be the main modality through which UJAS partners finance the implementation of the government's strategy. Additional specific financial support will be targeted to malaria control and reproductive health services. To ensure that financing is effective, UJAS partners will participate with the government in annual health sector reviews that examine performance in attaining targets for health outcomes. Emphasis will be placed on closely monitoring improvements in child health and access to maternal health services to ensure that progress towards the MDGs is made in these areas.

### *Reducing the spread of HIV/AIDS and mitigating its impact*

77. The UJAS partners will support the implementation of the National Strategic Framework for HIV/AIDS (see box 6). Ensuring that the high volume of external resources channeled to support Uganda's fight against HIV/AIDS is coordinated and provided in accordance with the National Strategic Framework is critical. Some UJAS partners will provide joint support to Uganda Aids Commission Partnership Fund. Recognizing the role of U.N. system, especially of UNAIDS, the partners will work to ensure that their assistance is complementary to that provided by the U.N. agencies.

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## Box 6: Tackling HIV/AIDS in Uganda

Uganda has been one of the most successful countries in Africa in reducing the spread of HIV/AIDS. Uganda's success in controlling HIV/AIDS has been due to strong political leadership, and implementation of a successful multi-sector strategy focused on prevention. Still, it is estimated that over a million people are currently infected, with potentially devastating consequences for the families and communities. Providing care and treatment for the 1 million Ugandans estimated to be HIV positive poses a major challenge to the government, to communities, and to households. Caring for the 2 million orphans who require special services if they are to reach their full potential as adults is another daunting need.

The government's National Strategic Framework for HIV/AIDS focuses on prevention through the ABC model (abstinence, being faithful, and condom use), treatment through sustainable and equitable provision of antiretrovirals, and assistance to improve the quality of life for people living with HIV/AIDS. The strategy also involves strengthening capacity of the Uganda AIDS Commission, enacted by parliament in 1992, to enable the institution to effectively carry out its coordinating role.

Key accomplishments in recent years include Uganda's adoption of the internationally endorsed "3 ones" approach to combat HIV/AIDS (one national AIDS coordinating authority; one agreed AIDS action framework; and one monitoring and evaluation framework), and translating this to the subnational level under the guidance of the Uganda AIDS Commission. The drafting of sector AIDS policies for health, education, labor, social development, and public service have also been important milestones over the last few years and represent progress in mainstreaming HIV/AIDS across government policy.

### *Expanding water and sanitation services*

78. Expanding access to water and sanitation services has long been a priority for Uganda. Key elements of the government's Water Sector Strategic Investment Plan are to harness private sector financing and management expertise for provision of water in cities and towns where feasible, and to set tariffs at a level to ensure that water services are commercially viable. The government will provide targeted subsidies to promote the expansion of water services to periurban areas and to ensure that services are affordable to the poor. It will also continue to subsidize capital investment in water services in rural areas, while building capacity for community management and maintenance of water systems.

79. The UJAS partners through a SWAp and general budget support will assist with the completion and consolidation of water sector reforms aimed at ensuring that water and sanitation services are sustainable, cost effectiveness, and affordable to the poor. Annual joint partner-government sector reviews will examine the effectiveness of expenditures in meeting targets, while specific studies will investigate constraints in detail and will propose solutions for overcoming them.

### *Reducing vulnerability and strengthening communities*

80. The government recognizes that cohesive communities are essential to promote social and economic security for all, and especially for vulnerable groups. Strategic actions include recruiting and training community development workers, mobilizing communities to provide training in functional adult literacy, and organizing communities to care for orphans, the elderly, and persons with disabilities. Emphasis will be placed on measures that promote gender equity in family, work, and community life.

81. UJAS partners will support these initiatives through assistance to improve local service delivery and public service management. A study on the status of social protection in Uganda will provide recommendations on measures to improve social safety nets. UJAS partners will support the implementation of the government's revised gender policy and plan of action. The UJAS partners will support civil society organizations in their important role in reducing vulnerability and strengthening communities. The partners enjoy a vibrant relationship with civil society organizations.

### Implementation risks and challenges

82. Risks to the implementation of the PEAP and the UJAS are presented in table 4 below. The table also includes measures to mitigate the risks.

**Table 4: Risks and mitigation measures**

<b>Risk: Political transition brings uncertainty</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>• Electoral process may lead to diversion of resources from PEAP implementation.</li> <li>• Less than free and fair electoral process may have a negative effect on internal stability, international reputation, aid flows, and investor confidence.</li> <li>• Priorities of a new government may be different from current PEAP.</li> <li>• Interest in sustaining the partnership among politicians, technocrats, and development partners may wane.</li> </ul>	<ul style="list-style-type: none"> <li>• Development partners will monitor implementation of programs and developments in macroeconomic conditions and maintain an active dialogue with current and future government.</li> <li>• Bilateral partners will engage in dialogue on the political transition.</li> <li>• Partners will also encourage the government to maintain high-level political support for New Partnership for Africa's Development.</li> </ul>
<b>Probability of risk occurring:</b> Medium	<b>Likely impact:</b> High
<b>Risk: Poor governance undermines confidence</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>• Continued slow progress in reducing corruption will retard development, diminish Uganda's attractiveness to investors, and harm Uganda's external credibility.</li> <li>• Public confidence in the Inspector General of Government and in the leadership code has been undermined by a series of legal challenges to its authority and a lack of clear political support.</li> <li>• Lack of progress in proceeding with prosecutions following commissions of inquiry has further damaged confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• Development partners are:</li> <li>• Assisting the government to strengthen public financial management and procurement practices, through support of the action plan to upgrade public expenditure management.</li> <li>• Assisting to build capacity at Uganda's anticorruption institutions and the Uganda Revenue Authority.</li> <li>• Supporting capacity building for monitoring and evaluation, and participation in annual PEAP review.</li> <li>• Building capacity of civil society organizations to effectively play their oversight role and continue to stress the importance of civil society and the private sector in monitoring and evaluation.</li> <li>• Specifying conditions related to economic governance that will, with other factors, influence the level and nature of their support.</li> </ul>
<b>Probability of risk occurring:</b> Medium	<b>Likely impact:</b> High

<b>Risk: Inadequate protection of human rights and limited access to justice hampers development</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>Continued politicization of the military and informal paramilitary groups could raise political tensions and concerns about human rights with potential implications for investor confidence, aid flows, absorptive capacity, and delivery of services to citizens.</li> <li>Restricting the activities of civil society organizations and of the media could undermine their role as independent observers.</li> </ul>	<p>Development partners are:</p> <ul style="list-style-type: none"> <li>Continuing to raise concerns directly with the government.</li> <li>Maintaining support to civil society organizations and selected public bodies.</li> </ul>
<b>Probability of risk occurring: Medium</b>	<b>Likely impact: Medium</b>
<b>Risk: Continuing conflict in northern Uganda hinders achievement of national and local development objectives</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>Approximately 1.6 million people in the north are displaced and unable to participate in economic activity. Security is weak even in camps.</li> <li>People in the north are deprived of basic services, including health and education.</li> <li>People in the north suffer from human rights abuses.</li> <li>Local government is unable to play its service delivery role.</li> </ul>	<ul style="list-style-type: none"> <li>Bilateral partners support efforts to negotiate a solution to the conflict, maintain a dialogue with the government on development of the region and provision of adequate protection of the civilian population. They are also strengthening civil society organizations to deliver services.</li> <li>Bilateral partners provide support to government and civil society to monitor human rights</li> <li>All partners provide humanitarian assistance and are strengthening the government and civil society's ability to deliver services.</li> <li>Partners will support efforts to rebuild infrastructure, reintegrate internally-displaced persons, and reestablish livelihoods, once peace is established.</li> </ul>
<b>Probability of risk occurring: High</b>	<b>Likely impact: Medium</b>
<b>Risk: Weak public sector capacity slows implementation of programs</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>A lack of incentives for performance, and poor coordination between ministries, slows implementation of programs.</li> <li>Weak capacity hampers efforts to improve transparency of local government expenditures.</li> </ul>	<p>Development partners are:</p> <ul style="list-style-type: none"> <li>Supporting the new public service reform program and a new public financial management program.</li> <li>Supporting the new local government support program and continuing support for decentralization.</li> </ul>
<b>Probability of risk occurring: Medium</b>	<b>Likely impact: High</b>

<b>Risk: External factors pose unknown risks</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>• Major terms of trade shifts, particularly of Uganda’s export commodities, such as coffee, continue to affect rural incomes and Uganda’s balance of trade.</li> <li>• Weather shocks continue to affect agricultural production.</li> <li>• Regional market integration poses fiscal risks and challenges to firms who now face higher tariffs on imports from outside the EAC.</li> <li>• A failure of the peace agreement in Sudan would jeopardize regional cooperation to end the insurgency in northern Uganda. A breakdown in the peace process in the Democratic Republic of Congo or in relations with Rwanda would also pose risks to security and economic development in Uganda.</li> </ul>	<p>Development partners will:</p> <ul style="list-style-type: none"> <li>• Provide quick-disbursing budget support to offset revenue declines or expenditure increases associated with weather or terms of trade shocks.</li> <li>• Support implementation of national disaster preparedness and management act and policy.</li> <li>• Support analysis of the impact of terms of trade and regional integration on government revenues and on particular industries.</li> <li>• Support rehabilitation of regional roads, railways, and energy supplies that help to lower the domestic costs of production, and agricultural and private sector development to diversify exports.</li> <li>• Support for peace in the region through dialogue and national and regional programs.</li> </ul>
<b>Probability of risk occurring: Medium</b>	<b>Likely impact: High</b>
<b>Risk: Government fails to take measures to curb population growth</b>	
<b>Why important?</b>	<b>How can UJAS partners mitigate risks?</b>
<ul style="list-style-type: none"> <li>• High population growth is a constraint to economic growth and sustainable poverty reduction.</li> </ul>	<p>Development partners are:</p> <ul style="list-style-type: none"> <li>• Supporting government policies on family planning, nutrition, and child development.</li> <li>• Encouraging government to address political sensitivities around family planning.</li> </ul>
<b>Probability of risk occurring: Medium</b>	<b>Likely impact: Medium</b>

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## 5. FINANCING SCENARIOS

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83. The UJAS partners will finance the implementation of the PEAP through four main channels: direct budget and project support to the government, support to the programs of civil society organizations, assistance to the private sector, and support channeled through U.N. agencies. Although some UJAS partners expect to deliver an increasing proportion of their support through direct budget support, all will continue to provide some assistance as project support. All direct budget support and a large share of project support is integrated within the government's MTEF, but some project support such as that channelled through NGOs, the private sector, will remain external to the government's budget. The public expenditure review working group during the past few years has established a forum with government to review and monitor the budget process and outcomes and ensure that information on support of development partners is provided in a timely manner.

### *Aid channeled through the government's budget*

84. Uganda's development partners provided about US\$800 million through the budget for 2004/05, divided equally between budget support (including US\$80 million as debt relief), and grants.<sup>18</sup> This is broadly consistent with the annual requirement for external financing to fund the budget set out in the PEAP (allowing for government's practice of partially discounting development partner commitments). Of this, current UJAS partners provide an average of US\$300 million per year as direct budget support and US\$250 million per year as project support.

### *Base case scenario*

85. Table 5 presents the base case, with overall financing projections broadly stable over the UJAS period. Support will be focused on the PEAP's priority areas as set out in chapter 4. As stated earlier, overall support of the UJAS partners is expected to shift progressively from project support to budget support and from concessional loans to grants in conformity with the imperatives of their respective agencies. This base case scenario assumes that the government continues to successfully implement the PEAP.

86. Two alternative low and high case financing scenarios are also envisaged. Any decision to move away from the base case scenario will be made on the basis of the results of the annual PEAP review and of an assessment of financing needs. Some key indicators for the assessment are set out in table 5. Actual financing levels will be linked to performance, with rolling three-year projections of support provided to the government in line with the budget calendar (see below). Different UJAS partners may give greater weight to performance in some areas than in others, and will decide individually on the level and composition of its assistance program. However, the intention is to adopt a common assessment framework and a common review mechanism in line with the government's emerging proposals for the new PEAP review mechanism.

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<sup>18</sup> The government's budget does not include direct donor support channeled through NGOs and the private sector, or humanitarian relief provided through the U.N. system. This is estimated to total at least US\$200–300 million per year.

Table 5: UJAS financing scenario assessment framework (fiscal 2006–09)

Key Areas	Performance Indicators	Means of Verification
<b>Economic management (pillars 1 and 2)</b>	<ul style="list-style-type: none"> <li>Maintenance of a satisfactory macroeconomic framework.</li> <li>Maintenance of sustainable debt levels.</li> <li>Maintenance of fiscal discipline (including at the sector level).</li> <li>Progress in strengthening the business environment.</li> <li>Increasing allocation of the budget to promote growth and reduce poverty.</li> </ul>	Annual PEAP implementation review, taking into consideration the joint IMF-World Bank macro monitoring, public expenditure review, MTEF process, the country integrated fiduciary assessment, debt sustainability analysis, the World Bank's Country Policy and Institutional Assessment, and the updated investment climate assessment, annual budget outcome and outturns. <sup>19</sup>
<b>Security, conflict resolution, and disaster management (pillar 3)</b>	<ul style="list-style-type: none"> <li>Commitment to peace in northern Uganda and with neighboring countries.</li> <li>Improved security and humanitarian situation in the north.</li> </ul>	Annual PEAP implementation review, taking into consideration the assessment of governance by the Partners for Democracy and Governance. <sup>20</sup>
<b>Economic governance (pillar 4)</b>	<ul style="list-style-type: none"> <li>Satisfactory progress in public service reforms, including public expenditure management reform and pay reform.</li> <li>Satisfactory implementation of anticorruption plan.</li> </ul>	Annual PEAP Review, taking into consideration the PRSC review, country integrated fiduciary assessment, Country Policy and Institutional Assessment, semiannual value for money studies, semiannual audits, and corruption indices (for example, of Transparency International), and Partners for Democracy and Governance governance matrix indicators on corruption.
<b>Political governance and human rights (pillar 4)</b>	<ul style="list-style-type: none"> <li>Maintenance of a stable, free, and fair political environment.</li> <li>Improving record on human rights.</li> </ul>	Annual PEAP implementation review, taking into consideration an assessment by the Partners for Democracy and Governance of the governance matrix indicators, the Country Policy and Institutional Assessment, and reports of Uganda Human Rights Commission and human rights groups (for example, Amnesty International, Human Rights Watch).
<b>Human development (pillar 5)</b>	<ul style="list-style-type: none"> <li>Satisfactory overall implementation of government strategies to promote human development.</li> </ul>	Annual PEAP implementation review, taking into consideration: the PEAP progress reports, poverty assessment and studies on social welfare, public expenditure reviews, joint annual sector reviews, expenditure tracking studies, and quarterly reports of districts.
<b>Portfolio Performance</b>	<ul style="list-style-type: none"> <li>Maintenance of sound UJAS portfolio performance, including improved disbursement ratios and attainment of development objectives.</li> </ul>	Annual PEAP implementation review, taking into consideration supervision reports, portfolio reviews (for example, the country portfolio performance reviews) and client evaluations.

<sup>19</sup> The Country Policy and Institutional Assessment (CPIA) indicators are: management of inflation and macroeconomic imbalances, fiscal policy, management of public debt, trade policy and foreign exchange regime, financial stability, financial sector depth, competitive environment for private sector, goods and factor markets, gender, equity of public resource use, building human resources, social protection and labor, policies and institutions for environmental sustainability, property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration, transparency, accountability and corruption in the public sector.

<sup>20</sup> Partners for Democracy and Governance has developed additional indicators on democracy, corruption, human rights and security, based on the PEAP.

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### *Low case scenario*

87. A low case scenario would be triggered if performance in economic management deteriorates significantly, the commitment to a pro-poor policy agenda declines, conflict within the region resurges, or commitment to improve governance and enhance public financial management falters. For some UJAS partners issues concerning political transition and human rights are also important. They may shift to a low case scenario if political transition falls short of being free and fair or if the human rights situation further deteriorates. A move to a low case will be gradual and follow intensive discussions with the government to ensure that core priorities of the PEAP are not sacrificed.

88. Under the low case scenario, support of UJAS partners would likely decline to about US\$300 million per year, with total annual financing from all development partners likely to fall to US\$600 million. Support could fall further if UJAS partners lose confidence in the government's commitment to economic and social development. In the low case, UJAS partners will support basic service delivery for the poor, programs to reduce the spread of HIV/AIDS, measures to strengthen accountability institutions and civil society organizations, and humanitarian relief. Financing for general budget support would drop, and fewer resources would be available for major infrastructure projects. However, UJAS partners would to varying degrees continue to undertake analytical work and provide technical assistance and policy advice to assist the government in improving performance.

### *High case scenario*

89. To accelerate progress in attaining PEAP objectives and MDGs, or to assist with rehabilitating the economy of the north, UJAS partners will move to a high case scenario if they and the government agree that the country's general conditions allow for an increase in resource flows, and that additional resources will be used effectively to promote accelerated growth and poverty reduction. Under this scenario, UJAS partners would be ready to support additional public investment, especially in roads, regional infrastructure, energy, and community and rural development projects.

### *Financing details*

90. Approximate annual base case levels of support of UJAS partners to Uganda as a whole are summarized in table 6. For bilateral development partners, these remain subject to annual confirmation (and sometimes parliamentary approval), but will be confirmed annually with a rolling indicative 3-year horizon, in accordance with the requirements of Uganda's budget timetable. The World Bank and the AfDB will provide indicative financing over a rolling three-year cycle, although the level of grant financing available from the International Development Association (IDA) will be confirmed annually.

91. The financing scenarios discussed here make no assumptions about the impact of recent decisions by a number of UJAS partners to increase their aid flows globally to assist countries to reach the MDGs. It is not possible at this stage to project what these decisions will mean for development assistance to Uganda. The government remains concerned about the impact of high levels of aid on macroeconomic stability and aid dependency. Attention will also have to be paid to overcoming constraints to absorptive capacity, such as human resource and institutional capacity constraints. These issues are being addressed in the country economic memorandum on growth. Discussions about additional aid flows should not distract government and its development partners from the importance of improving the efficiency and effectiveness of existing public expenditure.

Table 6: Indicative average annual financing for PEAP implementation (US\$ million)<sup>21</sup>

Base Case

	Base Case			
	Average annual financing to MTEF	of which is channeled as grants	of which is budget support	Nongovernmental support
World Bank	294	150	150	0
AfDB	70	35	20	0
DFID	113	113	90	14
Germany	32	32	5	9
Netherlands	38	38	32	16
Norway	20	20	12	15
Sweden	28	28	23	22
Austria	5	5	2	4
<b>Subtotal</b>	<b>600</b>	<b>421</b>	<b>334</b>	<b>80</b>
Other partners	305	300	80	174
<b>Total</b>	<b>905</b>	<b>721</b>	<b>414</b>	<b>254</b>

*Note:* The figures shown in this table refer to the annual indicative disbursements. Nongovernmental support includes support to civil society organizations and for humanitarian assistance, for example through the U.N. system. Exchange rates applied: £1 = US\$1.8, 1 Special Drawing Right = US\$1.46, •1 = US\$1.19.

<sup>21</sup> Since the UJAS was agreed Belgium, Denmark, the EC and Ireland have joined.

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## 6. RESULTS BASED MONITORING AND EVALUATION FRAMEWORK

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### UJAS approach to monitoring and evaluation

92. To meet the PEAP targets, making the best possible use of all available resources is critical, which requires a strong focus on results. Annual monitoring and evaluation will assess both the developmental effectiveness of the PEAP as measured through progress towards the PEAP targets, and the operational effectiveness of UJAS partners, with a focus on harmonization and alignment. At completion, an independent team of evaluators will assess the effectiveness of the overall UJAS. Monitoring and evaluation is essential in promoting accountability. By supporting these processes in Uganda, the UJAS partners seek to meet their responsibilities for accountability to their domestic constituencies and governing bodies, and to help Uganda's citizens and civil society hold their own government to account.

93. In the spirit of harmonizing and aligning behind the government development program, UJAS partners will rely on the government's own assessment of the results of the PEAP in judging the development effectiveness of the UJAS. UJAS partners will therefore support the establishment of a robust national monitoring and evaluation system that allows for regular reporting of PEAP implementation and results. Partners will also encourage the government to engage civil society in its monitoring and evaluation efforts. They will also promote the creation of a culture of evidence-based management across the government. The UJAS partners will seek to avoid creating any structures that are not based on established government systems for assessing progress towards Uganda's PEAP results. A priority will be to discuss with the government how the PEAP matrix can be strengthened to reflect the agenda on governance and human rights. In the interim, some UJAS partners will use the matrix developed by the Partners on Democracy Governance as an additional basis for their assessment of governance and human rights in Uganda.

### Uganda's monitoring and evaluation capabilities

94. Uganda has made considerable efforts to develop its monitoring and evaluation systems and practices, including establishing a strong statistical system. A poverty monitoring and evaluation strategy was developed for the 2000 PEAP. The Ministry of Finance, Planning and Economic Development since 1999 has been producing biennial poverty status reports and poverty reduction strategy progress reports to track progress with PEAP implementation. Key line ministries also prepare annual reports of progress in implementing sector strategies.

95. Strengthening of monitoring and evaluation systems has led to improved accountability and greater rationality in public expenditure management. The system also provides a strong foundation for results-based management. This, however, has been achieved through the proliferation of many discrete initiatives, often backed by individual development partners, which has led to significant duplication of efforts, waste of resources, and poor coordination between data users and data producers. What Uganda now needs is not more, but better, monitoring and evaluation, according to a study of the World Bank's Operations Evaluation Department. To better coordinate monitoring and evaluation initiatives, the government is now developing a National Integrated Monitoring and Evaluation Strategy (NIMES). This is a framework that brings together the users and producers of information to ensure that the data collected is relevant, timely, of high quality, and accessible for policymaking. A secretariat will manage the process of coordination. Importantly, the government has also started developing a more systematic approach to evaluations, value-for-money studies, and expenditure tracking studies. It has also taken steps to increase the use of beneficiary assessments to promote public accountability. Successful implementation of the strategy should provide the basis for improving results through better-informed decision-making, and UJAS partners are committed to supporting it.

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## Assessing PEAP/UJAS results

96. Progress towards the PEAP results will be assessed through the information generated as part of the government's overall monitoring and evaluation effort. The government is establishing an annual PEAP review mechanism, which will draw on existing reporting and review arrangements for sector-specific support, for the PEAP as a whole, and for the budget process, rationalizing these where necessary (see box 7). The PEAP policy and results matrix will be the reference document for these annual PEAP reviews and will be updated every year.

97. UJAS partners recognize that their support is only one factor influencing PEAP outcomes. They will also assess the contributions of their specific interventions to outcomes, using the UJAS results matrix (annex 1) as the framework. This framework is wholly consistent with the PEAP matrix. Annual reviews linked to the PEAP reviews will provide early feedback on both implementation progress and impact. An in-depth midterm review will provide detailed information on what is working well and what needs to be strengthened or modified to better achieve expected outcomes. A final self-evaluation of the strategy and its implementation and impact will be carried out at the end of the UJAS period.

### Box 7: PEAP review and reporting arrangements

The government has developed a PEAP policy and results matrix that will serve as the basis for the review and reporting arrangements for the PEAP 2004. This matrix presents for the first time a comprehensive framework to guide implementation, reporting, and review of the PEAP. It is organized as a hierarchy of goals, linking concrete steps in reform processes (annual policy actions) to developmental outcomes. It contains quantitative indicators that will be used to measure progress towards outcomes and results. The PEAP policy and results matrix also includes the prior actions agreed between the government and development partners as the basis for budget support.

The PEAP plan for monitoring and evaluation makes use of three main types and sources of data:

- Censuses and sample surveys carried out by the Uganda Bureau of Statistics.
- Administrative data regarding the allocation and utilization of financial resources and standards of service delivery.
- Self-reported qualitative evidence on implementation of PEAP policy actions.

The evidence from these sources will be stored and made accessible through a centralized PEAP information management system.

PEAP reviews will take place each year during its four-year timeframe. The overall direction of the PEAP, including the organization of the pillars and the cross-cutting key results areas will remain in place for the entire PEAP timeframe. Individual results and policy actions will be subject to annual refinement and amendment. The product of the annual review cycle is a revised PEAP policy and results matrix. The product of the four-year review cycle is a fully revised PEAP.

The PEAP review and reporting arrangements permit the integration and rationalization of reviews and reports at all levels. A tentative review and reporting calendar has been developed, of which the main event is an annual PEAP review meeting in May, involving a wide range of domestic and external stakeholders. This meeting will review the evidence of progress compared to the objectives presented in the matrix and agree on an updated version of the matrix.

### Assessing the operational effectiveness of UJAS partners

98. In addition to assessing the outcome of specific interventions and their link to country outcomes, UJAS partners together with the government will support an annual independent assessment of progress of partners in organizational effectiveness. This assessment will be based on the 10 of the 12 indicators of progress of the Paris Declaration presented in table 7. These have been adapted and expanded where necessary to suit the context of Uganda.

Where possible, this assessment will draw on existing mechanisms such as the annual questionnaire on the alignment of budget support with poverty reduction strategy processes of the Special Partnership for Africa, the African Peer Review Mechanism of the New Partnership for Africa's Development, and the annual OECD questionnaire on harmonization.

**Table 7: Targets for harmonization**

Areas of Harmonization	Baseline	Targets 2010
1. Aid flows are aligned on Ugandan priorities	85 percent of total aid is reported on budget.	92 percent.
2. Donors provide coordinated support for capacity-strengthening.	43 percent of technical cooperation flows are implemented through coordinated programs consistent with the PEAP.	50 percent
3a. Percentage of aid flow using Uganda's public financial management system.	77 percent of flows to the public sector use Uganda's public financial management system.	85 percent
3b. Percentage of donors using Uganda's public financial management system.	90 percent of donors use Uganda's public financial management systems.	95 percent
3c. Percentage of aid flow using Uganda's national procurement system.	72 percent of flows to the public sector use Uganda's national procurement system.	81 percent
3d. Percentage of donors using Uganda's national procurement system.	95 percent of donors use partner countries' procurement systems.	100 percent
4. Avoiding parallel implementation structures in Uganda.	39 parallel project implementation units in Uganda.	13
5. Aid to Uganda is more predictable.	91 percent of project and budget support aid flows disbursed within the fiscal year for which it was scheduled.	95 percent
6. Aid to Uganda is untied.	More than 90 percent of bilateral commitments are untied.	95 percent.
7. Donors use common arrangements or procedures in Uganda	37 percent of aid flows are provided in the context of program based approaches.	66 percent
8a. Joint missions by donors to Uganda.	20 percent of donor missions to Uganda are joint.	40 percent
8b. Donors use joint country analytical work.	25 percent of country analytic work is joint in Uganda.	66 percent
9. A results-oriented framework in Uganda, focused on the government-led PEAP review process.	The Performance Assessment Framework in the 2004/05–2007/08 PEAP is largely developed toward achieving good practice.	Uganda has a Performance Assessment Framework in the 2008/09–2011/12 PEAP that substantially or largely achieves good practice.
10. Mutual assessments of progress in Uganda in implementing agreed commitments on aid effectiveness.	No independent assessment review has taken place.	Uganda undertakes independent assessments annually.

*Note:* Baseline figures are not reliable and will require verification.

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99. Progress in alignment, and particularly with harmonization, is critical to ensure the UJAS partners achieve their ambition of working better together in support of Uganda's development agenda. Progress towards increasing harmonization and selectivity will be monitored each year. The UJAS will be updated to reflect developments.

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**ANNEX**

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## Annex 1: UJAS results matrix (aligned with PEAP results and policy matrix)

PEAP Outcome Indicators <sup>22</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>23</sup>	Strategies/Actions	UJAS Partners' Programs <sup>24</sup>
<b>Pillar 1: Economic Management: Macroeconomic stability consistent with rapid private-sector led growth</b>				
<p>Reduce the fiscal deficit from 11.3% of GDP to 8.2%.</p> <p>Increase domestic revenue from 12% of GDP to 13.2%.</p> <p>Reduce public expenditure from 23.9% of GDP to 21.8% (indicator and target will be modified).</p> <p>Inflation maintained below 5.0%</p>	<ul style="list-style-type: none"> <li>Limited scope for new tax measures*</li> <li>Meeting PEAP/MDG targets requires additional public spending*</li> <li>Slow down in growth and structural transformation in recent past</li> </ul>	<ul style="list-style-type: none"> <li>Uganda Revenue Authority modernized (information technology, tax admin processes and methods) by mid-2007</li> <li>Agreement on MTEF for 2006/2007–2008/2009 throughout UJAS period</li> <li>Poverty Action Fund expenditures and donor projects consistent with PEAP priorities throughout UJAS period</li> </ul>	<ul style="list-style-type: none"> <li>Support for public financial management</li> <li>Improved revenue mobilization</li> <li>Reinforcing of structural and institutional reforms through</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits/budget support<sup>25</sup></li> <li>Economic and Financial Management Project*</li> <li>Privatization and Utility Sector Reform*</li> <li>Public Service Performance Enhancement SWAp*</li> <li>Local Service Delivery Program*</li> <li>Agriculture Statistics Project*</li> <li>Modernization of Uganda Revenue Authority Project</li> </ul> <p><b>Analytical Work*</b></p> <ul style="list-style-type: none"> <li>Public Expenditure Reviews*</li> <li>Expenditure tracking studies*</li> <li>Country integrated fiduciary assessment*</li> <li>Country economic memorandum*</li> <li>Studies on micro and rural finance, fiscal space and tax incentives*</li> <li>Poverty Assessment*</li> <li>Social impact assessment on local level tax reform</li> </ul> <p><b>Partners</b></p> <p>Budget support donors: DFID, Netherlands, Norway, World Bank</p>
<p>Increase private sector credit from 7.1% of GDP to 10.4%.</p>		<ul style="list-style-type: none"> <li>Pension reform: approval by parliament of the pension act by mid-2007</li> </ul>	<ul style="list-style-type: none"> <li>Financial systems reform (including microfinance)</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits/budget support</li> <li>Financial Systems Development Project</li> <li>Micro-Finance Support Project</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Micro and rural finance studies</li> <li>Studies on pension reform and public private partnerships</li> </ul> <p><b>Partners</b></p> <p>DFID, Germany, Sweden World Bank</p>

<sup>22</sup> Outcomes that the Government of Uganda together with UJAS and other development partners expects to influence over PEAP/UJAS period. UJAS outcomes are consistent with the outcomes in Uganda's PEAP throughout the period (the PEAP covers 2004/2005–2007/2008; the UJAS covers 2005/2006–2008/2009).

<sup>23</sup> A subset of PEAP policy actions from annual PEAP results and policy matrix.

<sup>24</sup> Since the UJAS was agreed Belgium, Denmark, the EC and Ireland have joined.

<sup>25</sup> Budget support donors are: African Development Bank, DFID, EC, Germany, Ireland, Netherlands, Norway, Sweden; The World Bank provides budget support through Poverty Reduction Support Credits.

<p><b>PEAP Outcome Indicators<sup>18</sup></b> (from 2003 baseline to 2007/08)</p>	<p><b>Issues and Obstacles</b></p>	<p><b>Intermediate Results<sup>19</sup></b></p>	<p><b>Strategies/Actions</b></p>	<p><b>UIAS Partners' Programs</b></p>
<p>Reduce net present value of external debt to exports ratio from 305% to 238%.</p>	<ul style="list-style-type: none"> <li>Increasing institutional and regulatory barriers for investment</li> <li>Lack of business-friendly regulations</li> <li>Weak linkage to markets</li> <li>Absence of standards and certifications</li> </ul>	<ul style="list-style-type: none"> <li>National Trade policy implemented by mid-2006</li> <li>World Trade Organization bill submitted to parliament by mid-2006</li> <li>Taxation and licensing policies and practices streamlined by mid-2006</li> </ul>	<ul style="list-style-type: none"> <li>Support for improved debt sustainability</li> </ul>	<p><b>Analytical Work<sup>*</sup></b></p> <ul style="list-style-type: none"> <li>Debt sustainability analysis</li> </ul> <p><b>Partners</b></p> <ul style="list-style-type: none"> <li>World Bank</li> </ul>
<p><b>Pillar 2: Enhancing production, competitiveness, and incomes</b></p>				
<p><b>Objective: Increased private sector competitiveness (investment and export)</b></p>				
<p>Private sector investment rises from 17% of GDP towards 21% by 2013/14 (medium target being developed). Value of exports increases from 12.1% of GDP to 16.1% by 2013/14 (medium target being developed).</p>	<ul style="list-style-type: none"> <li>Increasing institutional and regulatory barriers for investment</li> <li>Lack of business-friendly regulations</li> <li>Weak linkage to markets</li> <li>Absence of standards and certifications</li> </ul>	<ul style="list-style-type: none"> <li>National Trade policy implemented by mid-2006</li> <li>World Trade Organization bill submitted to parliament by mid-2006</li> <li>Taxation and licensing policies and practices streamlined by mid-2006</li> </ul>	<ul style="list-style-type: none"> <li>Support to the Medium Term Competitiveness Strategy (MTCS)</li> <li>Support measures to reduce the costs of doing business</li> <li>Strengthen regional integration</li> <li>Support to the national trade policy and integration</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits/budget support</li> <li>Private Sector Competitiveness Project</li> <li>EAC Transport and Trade Facilitation</li> <li>Millennium Science Initiative Project</li> <li>UNCCI</li> <li>UNIDO Integrated Program</li> <li>Enterprise Uganda</li> <li>Better Regulation Project</li> <li>Financial Sector Deepening Project</li> <li>Business Services Market Development Project</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Diagnostic Trade Integration Study</li> <li>Country Economic Memorandum</li> <li>Investment climate assessment</li> <li>Investors' Roundtable</li> <li>Revision of MTCS</li> <li>Support to Uganda National Chamber of Commerce and Industry</li> </ul> <p><b>Partners</b></p> <p>Budget support donors Austria, DFID, Norway, Sweden, World Bank</p>
<p><b>Objective: Increased and more efficient agriculture production</b></p>				
<p>Growth rate of agricultural production rises above the 2003 value of 3.8% (indicator and target will be modified to accommodate for high volatility).</p> <p>Proportion of total agricultural output that is marketed grows from 20% towards 70% by 2013/14 (medium target being developed).</p>	<ul style="list-style-type: none"> <li>Slow diversification to high-value products and markets</li> <li>Weak legal and regulatory environment</li> <li>Lack of sector specific financial services</li> <li>Lack of resources for expanding agriculture programs</li> </ul>	<ul style="list-style-type: none"> <li>National agricultural research system established by mid-2006</li> <li>National Agriculture Advisory Services extended to: <ul style="list-style-type: none"> <li>499 subcounties in 37 districts by mid-2006</li> <li>640 subcounties in 45 districts by mid-2007</li> <li>900 subcounties in 53 districts by mid-2008</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Support to the implementation of the Plan for Modernization of Agriculture</li> <li>Removal of constraints to agriculture and non-farm private sector performance</li> <li>Support country wide scale-up of the National agriculture research system</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits/budget support</li> <li>National Agricultural Advisory Services Project</li> <li>Agricultural Research and Training Project</li> <li>Uganda Flower Exporters Association Project</li> <li>Area Based Agriculture Modernization Project</li> <li>Farm Income Enhancement Project</li> <li>Uganda Beef Producers' Association</li> <li>Export Promotion for Organic Products from Africa</li> <li>PMA Secrétariat Support</li> </ul>

PEAP Outcome Indicators <sup>18</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<p>Proportion of total value of agriculture output that is exported rises.</p> <p>Proportion of households with land titles for agriculture production increase from &lt; 1% to 1.5%.</p> <p>Proportion of households with general land titles increases from 12% to 17%.</p> <p>Growth rate of fishery sector rises above 2003 value of 3.8%.</p> <p>Value of fish exports rises above 2003 values of US\$88 million per year.</p>	<p>• Low human resource skills</p> <p>• Limited access to finance</p> <p>• Low level equipment and technology for productive application</p> <p>• Lack of institutional and structural capacity to formulate, implement and monitor policies</p>	<p>• National land policy: - consultations undertaken by mid-2006</p> <p>- Cabinet approval by mid-2007</p> <p>- implementation by mid-2008</p> <p>• National Fisheries Authority established by mid-2006</p> <p>• Licensed private forest plantations in central forest reserves and on private land covering:</p> <p>- at least 10,000 hectares by mid-2006</p> <p>- at least 15,000 hectares by mid-2007</p> <p>- at least 25,000 hectares by mid-2008</p>	<p>and national agriculture advisory services</p> <ul style="list-style-type: none"> <li>• Support to natural resource regulatory agencies and development of an adequate policy framework</li> <li>• Support initiative to improve national and regional sustainable natural Resource management (fisheries, wetlands, mining, forests)</li> </ul>	<ul style="list-style-type: none"> <li>• Land Tenure Reform Programme</li> <li>• Fisheries for Development Project</li> <li>• Lake Victoria Environment Program</li> <li>• National Livestock Production Improvement Project</li> <li>• Rural Microfinance Support Project</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Annual reviews of PMA</li> <li>• Social Impact Assessment on land reform</li> <li>• Diagnostic Trade Integration study</li> <li>• Studies of agriculture research</li> </ul> <p><b>Partners</b></p> <p>Budget support donors African Development Bank, Austria, DFID, Netherlands, Norway, Sweden, World Bank</p>
<p><b>Objective: Increased and more efficient production of nonagricultural goods and services</b></p>				
<p>Proportion of value of production of Micro-Small- and Medium-sized Enterprises (as % of GDP) increases.</p> <p>Less time spent by Micro-Small- and Medium-sized Enterprises in obtaining licenses.</p> <p>Increased number of tourists visiting Uganda.</p> <p>Increased value of production of mining industry.</p>	<p>• Low human resource skills</p> <p>• Limited access to finance</p> <p>• Low level equipment and technology for productive application</p> <p>• Lack of institutional and structural capacity to formulate, implement and monitor policies</p>	<p>• Incorporation of strategy for MSMEs in revised MTCS by mid-2006</p> <p>• National Tourism Strategy and Business Plan:</p> <ul style="list-style-type: none"> <li>• Developed by mid-2006, Implemented by mid-2007</li> <li>• Mining regulations bill: Cabinet approval by mid-2006.</li> <li>• parliament enactment by mid-2007</li> <li>• Implementation by mid-2008</li> </ul>	<ul style="list-style-type: none"> <li>• Support to institutional capacity building in policy formulation</li> <li>• Support to human resource development programs</li> <li>• Entrepreneurial development programs</li> <li>• Support to programs increasing MSME access to finance</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Budget support</li> <li>• Private Sector Competitiveness Project</li> <li>• EAC Transport and Trade Facilitation</li> <li>• Protected Areas Management and Sustainable Use</li> <li>• Sustainable Management of Mineral Resources Project</li> <li>• Unido Integrated Program</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Country Economic Memorandum</li> <li>• Investment Climate Assessment</li> <li>• Investors' Roundtable</li> <li>• Revision of MTCS</li> <li>• Support to Uganda National Chamber of Commerce and Industry</li> </ul> <p><b>Partners</b></p> <p>Budget support donors Austria, DFID, Germany, Norway, Sweden, World Bank.</p>
<p><b>Objective: Strengthened infrastructure in support of increased production of goods and services</b></p>				
<p>Proportion of roads in good condition rises from 75% to 100%.</p>	<p>• Lack of resources for road maintenance</p>	<p>• Maintenance of 18,000 kilometers/rehabilitation of 1,500 kilometers of district roads by mid-2006</p>	<ul style="list-style-type: none"> <li>• Support road rehabilitation, maintenance, and upgrading</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Budget support</li> <li>• Privatization and Utility Sector Reform</li> </ul>

<p><b>PEAP Outcome Indicators<sup>18</sup></b> (from 2003 baseline to 2007/08)</p> <p>Proportion of rural households with access to electricity rise from 3% to 8%.</p> <p>Freight carried by rail rises from 863,000 tons per year to 1,565,000 tons per year.</p>	<p><b>Issues and Obstacles</b></p> <ul style="list-style-type: none"> <li>• Slow process in concessioning and divestiture</li> <li>• Lack of viable option for power generation</li> <li>• Lack of top level commitment for regional programs</li> </ul>	<p><b>Intermediate Results<sup>19</sup></b></p> <ul style="list-style-type: none"> <li>• Uganda National Road Authority: <ul style="list-style-type: none"> <li>- Statute enacted by mid-2006</li> <li>- Operational by mid-2007</li> </ul> </li> <li>• Rural electrification schemes under various donor projects implemented throughout UIJAS period <ul style="list-style-type: none"> <li>• At least 30 megawatts renewable energy: <ul style="list-style-type: none"> <li>- Connected to main grid by end-2007</li> <li>- Supplying the main grid by end-2008</li> </ul> </li> </ul> </li> </ul>	<p><b>Strategies/Actions</b></p> <ul style="list-style-type: none"> <li>• Support private power generation investment plan</li> <li>• Support the multi-donor regional power program</li> <li>• Support the railway concessioning process</li> </ul>	<p><b>UIJAS Partners' Programs</b></p> <ul style="list-style-type: none"> <li>• Private Sector Power Generation Project</li> <li>• East African Regional Power Project</li> <li>• Energy for Rural Transformation Project</li> <li>• Kampala Institutional Infrastructure Development Project</li> <li>• Fourth Power Project</li> <li>• National Road Maintenance Project</li> <li>• Road Development Program Phase 1-3</li> <li>• Road Sector Institutional Support</li> <li>• Urban Power Rehabilitation</li> <li>• Capacity Building in Ministry of Energy and Mineral Development</li> <li>• National Electricity Network Investments and Management</li> <li>• Energy Sector Support</li> <li>• Rural Electrification</li> <li>• Kyotera-Mutukula Project</li> <li>• Roads Maintenance and Upgrading Project</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Annual reviews of the roads sector</li> <li>• Diagnostic on the power sector</li> <li>• Indigenous Biomass Study</li> </ul> <p><b>Partners</b></p> <p>Budget support donors African Development Bank, Germany, Netherlands, Norway, Sweden, World Bank</p>
<p><b>Objective</b> Strengthened environment and natural resource management</p> <p>Increase in proportion of forest land covered by sustainable forest management plan from 2-3% (medium target being developed). Proportion of wetlands with sustainable management plan increased from 7.5% to 20%. Decrease in environmental degradation.</p>				
		<ul style="list-style-type: none"> <li>• Ministry of Water, Lands, and Environment coordinates: <ul style="list-style-type: none"> <li>- Preparation of an interim business plan for environmental and natural resources for the budget framework paper by mid-2006</li> <li>- Full integration of the environmental and natural resources sector investment plan into the environmental and natural resources- the budget framework paper by mid-2007.</li> <li>- Full implementation of the environmental and natural resources sector investment plan by mid-2008</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Support national regulatory agencies.</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Poverty Reduction Support Credits /budget support</li> <li>• Protected Areas Management and Sustainable Use</li> <li>• Natural Resource Management SWAp</li> <li>• Lake Victoria Environment Program</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Technical Assistance on Natural Resource Management</li> </ul> <p><b>Partners</b></p> <p>Budget support donors World Bank</p>

PEAP Outcome Indicators <sup>18</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<b>Objective: Strengthened Financial Sector</b>	<ul style="list-style-type: none"> <li>• Slow process in concessioning and divestiture</li> <li>• Lack of viable option for power generation</li> <li>• Lack of top level commitment for regional programs</li> </ul>	<ul style="list-style-type: none"> <li>• Microfinance institutions supported for rural outreach and capacity building between 2005 and mid-2006</li> <li>• Business Culture Fund to improve business and financial skills in rural areas established by mid-2006</li> </ul>		<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Poverty Reduction Support Credits/budget support</li> <li>• Rural Microfinance Support Project</li> <li>• Private Sector Competitiveness Project</li> <li>• Finance Systems Development Program</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Country Economic Memorandum</li> <li>• Investment Climate Assessment</li> </ul> <p><b>Partners</b></p> <p>Budget support donors African Development Bank, Germany, Sweden, World Bank</p>
<b>Pillar 3: Security, conflict resolution, and disaster management</b>				
<b>Objective: Reduced insurgency conflict</b>	<ul style="list-style-type: none"> <li>• Lack of coherent strategy for conflict resolution</li> <li>• Conflict continues with risk of spreading further</li> <li>• Continued emphasis on military response rather than holistic reforms</li> <li>• Lack of progress in Sudan peace process</li> </ul>	<ul style="list-style-type: none"> <li>• Program for socio-economic reintegration of ex-combatants into civilian life developed by mid-2006</li> <li>• National policy on conflict prevention: - developed by mid-2006- implemented by mid-2007</li> <li>• Joint defense review with EAC: - conducted by mid-2007- recommendations implemented by mid-2008</li> </ul>	<ul style="list-style-type: none"> <li>• Support dialogue between the government and Lord's Resistance Army</li> <li>• Support, where appropriate, the implementation of the 2004 defense review</li> <li>• Support for demobilization and reintegration</li> </ul>	<p><b>Financial support</b></p> <ul style="list-style-type: none"> <li>• Budget support</li> <li>• Conflict reduction work</li> <li>• Security sector reform</li> <li>• Multi-Country Demobilisation and Reintegration Programme</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Public expenditure review for Northern Uganda</li> </ul> <p><b>Partners</b></p> <p>Budget support donors Austria, DFID, Netherlands, Norway, Sweden, World Bank</p>
<b>Objective: Reduced number of internally displaced people</b>	<ul style="list-style-type: none"> <li>• Worsening humanitarian needs in the north</li> </ul>	<ul style="list-style-type: none"> <li>• National policy on internally displaced people translated and distributed by mid-2006</li> </ul>	<ul style="list-style-type: none"> <li>• Support for the return of internally-displaced people in the north</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• PRSCs/budget support</li> <li>• Contingency Fund for Northern Uganda</li> <li>• Multi-Country Demobilization and Reintegration Program</li> </ul>

<p><b>PEAP Outcome Indicators<sup>18</sup></b> (from 2003 baseline to 2007/08)</p>	<p><b>Issues and Obstacles</b></p> <ul style="list-style-type: none"> <li>• Constraints in local districts' capacity to deliver services</li> <li>• Lack of access by humanitarian agencies due to insecurity</li> <li>• Lack of sustainable commitment and resources</li> <li>• Lack of planning for disaster aftermath</li> </ul>	<p><b>Intermediate Results<sup>19</sup></b></p> <ul style="list-style-type: none"> <li>• Social and economic reintegration plan for internally displaced people coordinated and monitored by mid-2008</li> <li>• Database on internally displaced people developed by mid-2006</li> </ul>	<p><b>Strategies/Actions</b></p> <ul style="list-style-type: none"> <li>• Support for child victims, internally-displaced people and refugees</li> <li>• Development of local monitoring capacity</li> <li>• Integration of disaster preparedness and mitigation measures in exiting frameworks</li> <li>• Support to enhance capacity of local districts in conflict-affected areas</li> </ul>	<p><b>UJAS Partners' Programs</b></p> <ul style="list-style-type: none"> <li>• Wider support for reintegration</li> <li>• Northern Uganda Social Action Fund</li> <li>• Humanitarian Aid</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Northern Uganda Joint Needs Assessment</li> <li>• Data collection on internally displaced persons</li> <li>• Land use planning study</li> </ul> <p><b>Partners</b></p> <p>Budget support donors African Development Bank, Austria, DFID, Germany, Netherlands, Norway, Sweden, World Bank</p>
<p><b>Pillar 4: Good governance</b></p>				
<p><b>Objective: Strengthened system of representation</b></p>				
<p>Increased percentage of the public satisfied with the extent of democracy from 54% to 90%.</p> <p>Higher percentage of voters turnout in the national elections.</p>	<ul style="list-style-type: none"> <li>• No clear separation of powers (political nomination in judiciary, limited independence for legislative)</li> <li>• Domination of Movement government in 2006 elections</li> <li>• Elections may not be fair and free</li> </ul>	<ul style="list-style-type: none"> <li>• Credible voters' register: - produced by mid-2006</li> <li>- updated and maintained throughout UJAS period</li> <li>• Voter education continued throughout UJAS period</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue with the government and other actors on political transition</li> <li>• Technical and financial assistance to support free and fair elections in 2006.</li> <li>• Support parliament and the media</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Basket funds: Partners for Democracy and Governance (civic education, elections), parliament, media sector.</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Governance and Accountability Study</li> <li>• Study of 2006 Election</li> </ul> <p><b>Partners</b></p> <p>Budget support donors Austria, DFID, Netherlands, Norway, World Bank</p>
<p><b>Objective: Improved human rights</b></p>				
<p>Decrease in the number of human rights abuses reported by Uganda Human Rights Commission from 669.</p>	<ul style="list-style-type: none"> <li>• Restricted freedom of expression and association</li> <li>• Potential human rights abuses in light of the political transition to 2006</li> <li>• Potential army/militia disruptions during campaigns and elections</li> </ul>	<ul style="list-style-type: none"> <li>• Continued implementation of 3-year National Civic Education Program throughout UJAS period</li> <li>• Mediation of human rights cases by UHRS: - 80 by mid-2006- 90 by mid-2007- 100 by mid-2008</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue with the government on improving human rights</li> <li>• Support human rights monitoring</li> </ul>	<p><b>Financing:</b></p> <ul style="list-style-type: none"> <li>• Basket fund Uganda Human Rights Commission</li> <li>• Equal Opportunities Commission</li> <li>• Civil Society Umbrella Project</li> </ul> <p><b>Partners</b></p> <p>Budget support donors DFID, Netherlands, Norway, Sweden, World Bank</p>

PEAP Outcome Indicators <sup>18</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<p>Reduced crime rate from 30 (incidents per 10,000 people) to 20.</p> <p>Decreased growth rate of commercial court case backlog from 30 (per month) to 10.</p> <p>Increased satisfaction of businesses with commercial court system from 30% to 70%.</p>	<ul style="list-style-type: none"> <li>Escalation of insecurity in northern and eastern Uganda</li> <li>Increased gender based violence and abductions in northern Uganda</li> <li>Slow progress of efforts to make the Uganda People's Defense Force more transparent and accountable</li> <li>Lack of adherence to the rule of law and limited public confidence in the justice system</li> <li>Weak police force</li> <li>Increased cases of defilement and domestic gender violence</li> <li>Increased corruption in police and other security agencies</li> </ul>	<p><b>Objective: Increased efficiency in the justice and commercial justice system</b></p> <ul style="list-style-type: none"> <li>Strengthen and decentralize to justice, law, and order sector institutions to improve access to justice throughout UJAS period</li> <li>Promote coordination initiatives among to justice, law, and order institutions throughout UJAS period</li> <li>Five commercial laws passed by parliament by mid-2006</li> </ul>	<ul style="list-style-type: none"> <li>Support widening access to justice</li> <li>Support to justice, law, and order sector</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits /budget support</li> <li>Justice, Law, and Order SWAp, including legal aid basket fund.</li> <li>Commercial Justice Reform Program</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Sector review of justice, law, and order sector</li> </ul> <p><b>Partners</b></p> <p>Budget support donors Austria, Germany, Netherlands, Norway, Sweden</p>
<p><b>Objective: Strengthened public financial management</b></p> <p>Increase percentage of Ministries/local governments preparing regular financial statements in accordance with financial regulations from 51% to 100% by 2013/14 (medium target being developed).</p>	<ul style="list-style-type: none"> <li>Slow implementation of improved procurement regulations</li> <li>Corruption insufficiently addressed</li> <li>Parliament's weak capacity to meet its scrutiny and oversight responsibilities</li> <li>Slow pace to finalize and implement the Audit Act</li> <li>Office of the Auditor General requires strengthening</li> </ul>	<ul style="list-style-type: none"> <li>Reorganization of Accountant General's Office completed by mid-2007</li> <li>Roll out of integrated financial management systems: <ul style="list-style-type: none"> <li>10 agencies and 10 local governments by mid-2007</li> <li>to all remaining agencies and more local governments by mid-2008</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Support the implementation of the government's public financial management reform program</li> <li>Assess quality, coverage and efficiency of services</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits /budget support</li> <li>Economic and Financial Management Project</li> <li>Public Financial Management Reform Program</li> <li>Natural Resources Development</li> <li>Kampala Institutional Infrastructure Project</li> <li>Local Service Delivery Program</li> <li>Procurement Reform</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Country integrated fiduciary assessment</li> </ul> <p><b>Partners</b></p> <p>Budget support donors DFID, Netherlands, World Bank</p>

PEAP Outcome Indicators <sup>18</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<p><b>Objective: Reduced corruption</b></p> <p>Decrease perceived incidence of corruption (measured by National Integrity Survey) from 23% to 12% (medium target will be adjusted).</p>	<ul style="list-style-type: none"> <li>Limited top level commitment to address widespread institutionalized corruption</li> <li>Limited progress on previous Commissions of Inquiry findings of allegations of corruption</li> </ul>	<ul style="list-style-type: none"> <li>Leadership Code Act (Revised) presented to parliament by mid-2006</li> <li>Continued verification of assets declarations by ministers throughout UJAS period</li> </ul>	<ul style="list-style-type: none"> <li>Support the implementation of National Strategy to Fight Corruption 2004–2007</li> <li>Support to accountability civil society organizations and media</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits</li> <li>Support to Directorate of Ethics and Integrity, Inspector General of Government, Auditor General</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Sector Review Anticorruption</li> </ul> <p><b>Partners</b> Budget support donors DFID, Netherlands, Norway, World Bank</p>
<p><b>Objective: Improved public service performance</b></p> <p>Higher percentage of public satisfied with public service delivery.</p>	<ul style="list-style-type: none"> <li>Slow progress in pay reform</li> <li>Top level political commitment to public service reform needs revitalization</li> <li>Inadequate priority accorded public service reform in government budgetary allocations</li> <li>Greater sense of ownership by ministries outside the Ministry of Public Service for the reform process.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic plan for national statistical system developed and adopted by mid-2006</li> <li>100% or PEAP indicators reported by mid-2008</li> <li>Revised pay reform strategy implemented by mid-2006</li> <li>Funded public service pension scheme implemented by mid-2008</li> </ul>	<ul style="list-style-type: none"> <li>Support the implementation of the government's Public Service Reform Program (2005-09)</li> <li>Support civil society organizations in policy engagement</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>PRSCs/budget support</li> <li>Institutional Support to Good Governance</li> <li>Public Service Performance Enhancement SWAp</li> <li>Civil Society Umbrella Project</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Sector Review Public Service</li> </ul> <p><b>Partners</b> Budget support donors African Development Bank, DFID, Netherlands, Norway, Sweden, World Bank</p>
<p><b>Objective: Strengthened local government system for service delivery</b></p> <p>LG revenue as share of LG Budget increased from 6% to 9% (medium target will be revised).</p>		<ul style="list-style-type: none"> <li>Application of Harmonized Participatory Planning Guide: <ul style="list-style-type: none"> <li>mechanisms for monitoring developed by mid-2006</li> <li>monitor by mid-2008</li> </ul> </li> <li>Fiscal Decentralization Strategy: <ul style="list-style-type: none"> <li>roll out to local government by mid-2006</li> <li>monitor implementation throughout UJAS period</li> </ul> </li> <li>Operationalization of new local government structures by mid-2006</li> </ul>	<ul style="list-style-type: none"> <li>Enhance financial, institutional and human capacity of local government</li> <li>Support for Uganda's decentralization policy</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>Poverty Reduction Support Credits/budget support</li> <li>Local Government Development Program</li> <li>Makerere University Decentralization Service Delivery</li> <li>Decentralization Support Program</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>Local Revenue Policy</li> <li>Social Impact Assessment on local level tax Reform</li> <li>Sector Review Decentralization</li> <li>Roadmap for Effective Local Service Delivery</li> </ul> <p><b>Partners</b> Budget support donors Austria, DFID, Germany, Netherlands, World Bank</p>

PEAP Outcome Indicators <sup>18</sup> (from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<b>Pillar 5: Human development</b>				
<b>Objective: Improved education opportunities for all Ugandans</b>				
<ul style="list-style-type: none"> <li>-Increased primary net enrolment rate from 87% boys/ 86.4% girls to 90% girls and boys.</li> <li>-Increased primary completion rate from 66% boys/44% girls to 74% boys/64% girls.</li> <li>-Increased post-primary gross enrolment rate from 20% male/17% female to 30% male/25% female.</li> <li>-Increased completion rate of senior 4 rate from 20% boys/17% girls to 26% boys/23% girls.</li> <li>-Increased tertiary gross enrollment rate from 4% to 5.5%</li> </ul>	<ul style="list-style-type: none"> <li>• Inefficient use of resources</li> <li>• Lack of systematic planning for education needs (for example, post primary)</li> <li>• Lack of clear priorities, due to complexity and number of actors in the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Curriculum development for primary education:               <ul style="list-style-type: none"> <li>- finalized by mid-2006</li> <li>- roll out implementation by mid-2008.</li> </ul> </li> <li>• Minimum primary teachers' wage level:               <ul style="list-style-type: none"> <li>- enhanced towards UShs. 200,000/month by mid-2006-</li> <li>Reached by mid-2008</li> </ul> </li> <li>• 60 seed secondary schools constructed by mid-2008</li> <li>• Improved curriculum emphasis for science and technology in tertiary education by mid-2007</li> </ul>	<ul style="list-style-type: none"> <li>• Support for the Education Sector Investment Plan.</li> <li>• Support for the implementation of the Higher Education Strategic Plan</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Poverty Reduction Support Credits /budget support</li> <li>• Millennium Science Initiative</li> <li>• Poverty Reduction Support Loan</li> <li>• Support to Education Sector Investment Plan</li> <li>• Strengthening of Science Project</li> <li>• Support to Makerere University</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Social protection country status</li> <li>• Education sector review</li> <li>• Youth/basic and vocational training</li> </ul> <p><b>Partners</b></p> <p>Budget support donors: African Development Bank, Germany, Netherlands, Norway, World Bank</p>
<p><b>Objective: Healthier Ugandans</b></p> <ul style="list-style-type: none"> <li>- Reduced infant mortality rate (per 1,000 live births) from 88 to 68.</li> <li>- Lower maternal mortality rate (per 100,000 deliveries) from 505 to 354.</li> <li>- Reduced percentage of population undernourished from 19% to 5% (target will be revised).</li> <li>- Reduced HIV prevalence rate from 6.2% to 5%.</li> <li>- Increased utilization of outpatient department from</li> <li>- Increased percentage of approved posts filled by formally trained health workers from 68% to 90%.</li> <li>- Increased percentage of facilities without any stock outs of chloroquine, fansidar, measles vaccine, Depo Prevera, ORS and cotrimoxazole from 40% to 60%.</li> </ul>	<ul style="list-style-type: none"> <li>• Low quality of existing health services</li> <li>• Affect of high volumes of external aid flows for HIV on macroeconomic stability and budgetary process.</li> <li>• Lack of expenditure efficiency.</li> <li>• Affordability and accessibility of essential drugs</li> <li>• Lack of support for private sector health providers (for example, in the field of social marketing)</li> <li>• Lack of commitment and resources for family planning</li> </ul>	<ul style="list-style-type: none"> <li>• Continued joint implementation of the Revised National Framework for HIV/AIDS throughout UJAS period</li> <li>• Indoor residual spraying strategy (IRS):               <ul style="list-style-type: none"> <li>- finalized by mid-2006</li> <li>- implemented by mid-2007</li> </ul> </li> <li>• Emergency obstetric care strategy implemented by mid-2007</li> <li>• Human resource policy for health care staff finalized and implementation initiated by mid-2007</li> </ul>	<ul style="list-style-type: none"> <li>• Support the implementation of the government's Health Sector Strategic Plan</li> <li>• Support for the implementation of the "Three Ones" (one national AIDS coordinating authority; one agreed AIDS framework; and one monitoring and evaluation framework) through the National Strategic Framework for HIV/AIDS</li> <li>• Support to health research</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Poverty Reduction Support Credits /budget support</li> <li>• Multi-Country HIV/AIDS Program</li> <li>• HIV/AIDS Control Project</li> <li>• Health Service Rehab Project</li> <li>• Health Sector Strategic Plan Support</li> <li>• UNICEF HIV/AIDS + birth registration project</li> <li>• Uganda HIV/AIDS Partnership fund with Uganda Aids Commission</li> <li>• HIV Umbrella Program</li> <li>• Support to Malaria prevention</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Sector Review Health</li> <li>• Annual HIV/AIDS review</li> </ul> <p><b>Partners</b></p> <p>Budget support donors: African Development Bank, DFID, Germany, Netherlands, Sweden, World Bank</p>

PEAP Outcome Indicators <sup>18</sup> *(from 2003 baseline to 2007/08)	Issues and Obstacles	Intermediate Results <sup>19</sup>	Strategies/Actions	UJAS Partners' Programs
<ul style="list-style-type: none"> <li>- Increased percentage of deliveries in health care centers from 24.4% to 50%.</li> <li>- Meeting the demand for family planning services from 27% (medium target being developed).</li> <li>- Higher percentage of children immunized (DPT3) from 83% to 90%.</li> </ul>				
<b>Objective: Improved access to safe water supply and sanitation</b>				
<p>Increased percentage of population using safe water from 55% rural/ 65% urban to 90% rural/100% urban. Increased percentage of population using sanitation facilities from 56% rural/65% urban to 80% rural/100% urban. Increased percentage of rural Water and Sanitation facilities functional from 70% to 85%.</p>	<ul style="list-style-type: none"> <li>• Fragile and weak institutional capacities</li> <li>• Lack of adequate planning for future demand</li> <li>• Weak linkages with other sectors</li> <li>• Insufficient accountability in sector budget implementation</li> <li>• Danger of political interference (for example in tariff structure)</li> <li>• Lack of reliable monitoring and evaluation systems for the entire sector</li> </ul>	<ul style="list-style-type: none"> <li>• 3,700 new water systems serving 950,000 people in rural areas throughout UJAS period</li> <li>• In small towns: <ul style="list-style-type: none"> <li>- 3,500 new water connections by mid-2006</li> <li>- 4,000 new water connections by mid-2007</li> </ul> </li> <li>• In large towns: <ul style="list-style-type: none"> <li>- 12,500 new water connections/ 133 new sewerage connections by mid-2006- 13,000 new water connections/139 new sewerage connections by mid-2007</li> <li>- 13,500 new water connections/ 146 new sewerage connections by mid-2008</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Support the implementation of the government's Water Sector Strategic Investment Plan.</li> <li>• Support for the Environmental Health Department.</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• PRSCs/budget support</li> <li>• Water and sanitation SWAp</li> <li>• Privatization and Utility Sector Reform</li> <li>• Joint partnership fund administered by DWD</li> <li>• Small Town Water and Sanitation Project</li> <li>• National Water and Sanitation Support Program</li> <li>• Reform of the Urban Water Sector Program</li> <li>• Rehabilitation of Kampala Water and Sanitation Systems</li> <li>• South Western Towns Water and Sanitation Projects</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Water supply delivery</li> <li>• Rural water and sanitation study</li> <li>• Sector reviews water and sanitation</li> <li>• Environmental Health Department</li> </ul> <p><b>Partners</b> Budget support donors African Development Bank, Austria, DFID, Germany, World Bank</p>
<b>Objective: Revitalized community development function</b>				
<p>Increased number of filled community development worker posts. Increased percentage of functional community management committees.</p>		<ul style="list-style-type: none"> <li>• Community mobilization and empowerment strategy operationalized by mid-2006</li> <li>• Equal Opportunities Commission: - Policy submitted to Cabinet by mid-2006- Established by mid-2007</li> <li>• National gender policy submitted to cabinet by mid 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstream social development and protection concerns across health, education and water and sanitation</li> <li>• Assist the implementation of the Orphans and Vulnerable Children Policy and the community empowerment and mobilization strategy</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>• Makerere Pilot Decentralization Service Delivery</li> <li>• Local Service Delivery Project</li> <li>• Public Service Performance Enhancement SWAp</li> </ul> <p><b>Analytical Work</b></p> <ul style="list-style-type: none"> <li>• Social protection country status</li> </ul> <p><b>Partners</b> African Development Bank, DFID, World Bank</p>

