

CO-ORDINATION AND SECTOR SUPPORT

An evaluation of the Netherlands' support to local governance in Uganda

Policy and Operations Evaluation

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Background information

The importance of co-ordination of resources for development assistance and of harmonisation of related practices and procedures has been increasingly recognised by donor agencies and their development partners, as a means to reduce transaction costs of aid delivery and to increase efficiency and effectiveness of development interventions such as Sector Wide Approaches (SWAPs). This evaluation concerns a concrete case of ten years of co-ordination and harmonisation in the local governance sector in Uganda and the role of Dutch aid in that co-ordination. During 1991 – 2002, the Netherlands provided about US \$50 million in support of local governance and rural development in two regions of Northern Uganda, initially through a project approach with parallel implementation structures and since the end of the 1990s through various systems of basket funding. The emphasis gradually changed from rural development activities to local governance strengthening. The general objective of this evaluation is to assess in what way, with what results and to which effect the Netherlands have undertaken co-ordination activities in the context of its support to local governance in Uganda.

Main findings

- 1. Dutch aid policy on co-ordination corresponds with international trends.**
The recently elaborated policy on aid co-ordination emphasises policy alignment and harmonisation of donor procedures under the leadership of the recipient country. As such, it corresponds with international trends in aid co-ordination.
- 2. Practice of co-ordination in Dutch assistance to local governance in Uganda preceded formal Dutch aid policy.**
The Netherlands was the first bilateral donor to change from a project approach to a system of basket funding in local governance support in Uganda in 2000, which meant a transition towards operational co-ordination. Thus, actual practice in Uganda preceded the formulation of Dutch aid co-ordination policy. Most important factors were Uganda's decentralisation policy, the increased funding through Highly Indebted Poor Country initiative (HIPC) and changes in Dutch aid management, especially the delegation of authority to the Dutch embassies.
- 3. Intensity of co-ordination for local governance support increased in Uganda during the 1990s.**
Co-ordination in the local governance sector shows an increasing intensity during the second half of the 1990s, from information sharing to strategic co-ordination and (after the adoption of a common funding modality) also to operational co-ordination.
- 4. The co-ordination process was strongly donor-driven, with only a recent trend to increased country ownership.**
Decentralisation of authority to lower echelons of government, and the process of increasing co-ordination were strongly stimulated by donors active in the sector. Still, most donors first hesitated to join pooled funding arrangements, and some still do. Recently, Uganda's ownership of aid programmes in the sector was increased – e.g. Uganda's institutions manage the Local Government Development Programme (LGDP).
- 5. Increased intensity of co-ordination in the local governance sector on balance only marginally reduced transaction costs of aid delivery for the Netherlands.**
Direct management time was reduced, due to pooled funding, harmonisation of procedures, and abolishment of parallel structures. However, in this early stage of co-ordination this reduction was largely nullified by the time invested in co-ordination efforts at the sector and district levels.
- 6. Higher intensity of co-ordination increased transaction costs for Ugandan partners, especially because not all relevant donors participated in operational co-ordination.**
The reduction of direct management time for the Dutch donor implied an increase in management time for the Ugandan institutions, due to the originally limited number of donors joining pooled funding arrangements, the

extra time needed to introduce the new system and the weaknesses of the district and lower-levels administrations. Also, co-ordination time for Uganda increased. However, the application of this new system increased Uganda's ownership of the aid programme and its sustainability.

7. **Increased intensity of co-ordination improved programme design with regard to delegation of authority to sub-county level. Other aspects improved only marginally, due to institutional weaknesses in local administration.** Co-ordination through the present pooled funding system stimulated the delegation of authority to relevant administrative levels, including the funding of activities at the sub-county level. However, other improvements of programme design can increase effectiveness only after the new system has firmly settled and capabilities of individuals and structures in local administration have substantially improved.
8. **Dutch aid to the sector and its intensity of co-ordination had a favourable effect on local governance.** The Dutch aid programme in the local governance sector comprised the strengthening of both local administration and civil society in the supported regions of Northern Uganda. This two-pronged approach was essential for district development. The allocation of funds to sub-county level enhanced the ownership of development expenditure by the local population. Accountability of public administration to the local communities and participation of the latter in planning and implementation increased.
9. **Technical assistance to districts under local governance sector support remains unco-ordinated.** Technical assistance in the Dutch aid programme for local governance improved human capabilities in districts through a learning-by-doing approach since early 1990s. At present, there is a need for a more structured approach to capacity building and organisational strengthening – and conditions are favourable. However, technical assistance separately provided by donors to local governance has not yet been included in the co-ordination efforts and consequently in the evolving SWAP for local governance. This lack of co-ordination hampers effective capacity building.

Issues for future attention

Changes in the modality of Dutch aid to the local governance sector have been recent, and the effects of co-ordination in the sector are not yet fully visible. The following issues require further attention and monitoring:

1. *Poverty reduction focus.* The shift in focus from rural development to strengthening of local governance may reduce the effectiveness of Dutch aid in terms of poverty reduction. Though the country's overall policy and the district (and sub-county) development plans provide a framework for poverty alleviation, the implementation of plans and the concrete improvements in the living conditions in the rural areas are the crux of the poverty focus and need attention.
2. *Reduction of transaction costs.* The transaction costs are expected to fall for both donors and recipient country once a larger number of donors join the pooled funding system, and the institutions in Uganda internalize its procedures and regulations. A more complete understanding of transaction costs requires taking into account regular costs of managing government programmes and a detailed recording of time spent by donors and partner institutions on programme management and co-ordination.
3. *Improved programme design.* Improvement of the capabilities of local administrations, also in sub-counties and villages, is crucial to realise the potential of the LGDP. This long-term process requires a careful priority setting in training based on an analysis of manpower availability and requirements. In co-ordination activities, explicit attention must be given to improving the programme design, including capacity building provisions.
4. *Modality of technical assistance.* With the LGDP in place, and the prospect of more donors joining this programme, there are good opportunities to harmonise technical assistance under an arrangement with the Ministry of Local Government and to facilitate capacity building through uniform training programmes.

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