



CO-ORDINATION AND SECTOR SUPPORT

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

1991 - 2001

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PREFACE

Co-ordination of resources for development assistance and the need to harmonise related practices and procedures is one of the general principles of Dutch development co-operation policy. The Netherlands, as other multilateral and bilateral donor agencies and their development partners, has increasingly recognised the potential of co-ordination to increase the efficiency and effectiveness of development interventions and to reduce transaction costs of aid delivery. Sector co-ordination and harmonisation play an important role in sector-wide approaches, which are currently pursued in the Netherlands' bilateral development policies.

The independent Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs carried out an evaluation of co-ordination of the Netherlands' support to the local governance sector in Uganda over the period 1991-2001. Between 1991 and 2002, the Netherlands provided about US \$50 million in support of local governance and rural development in Northern Uganda, equal to some 30% of total Dutch sectoral aid to the country. The general objective of this evaluation was 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.

The intention to evaluate co-ordination did not translate easily into terms of reference for the envisaged study. During the introductory period, IOB discussed time and again whether co-ordination as such could be evaluated or whether it was inseparable from the dynamics of the related programme and changes in the pertinent country. Focus, scope, approach and methodology could not be delineated satisfactorily in advance because of lack of data and insight into what type of results was achievable. The evaluation thus proceeded in an exploratory fashion: experience with one case study would at best facilitate future evaluations of co-ordination. In the course of the process, research questions and methodology, focus and scope were adapted as the evaluation team, assisted by a small group of peer reviewers within IOB, gathered the necessary knowledge. The many questions addressed by the evaluation of co-ordination are discussed in Annex 1 of this report.

Gradually a picture emerged of Dutch involvement in co-ordination and sectoral support to local governance in Uganda, which – to our satisfaction – allowed for answers to the research questions raised. IOB is confident that the report will contribute to discussion on issues of aid co-ordination, sectoral support and harmonisation. At the same time, the report offers an approach to evaluations of co-ordination that can be used elsewhere.

The evaluation shows that there was an increase in intensity of co-ordination for local governance support in Uganda during the 1990s. In that context, the Netherlands was among the first donors to change from a project approach to a system of pooled funding. However, the increased intensity of co-ordination in the sector was strongly donor-driven, with only a recent trend to increased country ownership.

The evaluation results with respect to the effects of co-ordination show a mixed picture, which is also due to the recent nature of the co-ordination process. Transaction costs of aid delivery for the Netherlands were only marginally reduced, and transaction costs increased for Uganda, especially as not all relevant donors as yet participate with equal intensity in the co-ordination process. The co-ordination also had a favourable effect on programme design with regard to delegation of authority and channelling financial means to district and sub-county level. However, improvements were marginal for other aspects of programme design, mainly due to institutional weaknesses in local administration.

The evaluation was carried out by inspector Marie Hulsman-Vejsová, and Dr. Dirk Bol, CDP, an independent consultant. Marie Hulsman-Vejsová and Dr. Jan Sterkenburg, an independent consultant, drafted the final report. During the exploratory process, the evaluation team received extensive comments on various drafts of the report from four external experts. The experts were, in alphabetical order: Ir. Ben van Baren, independent consultant, Amsterdam; Mr. John Eriksson, OED, World Bank, Washington; Professor Des Gasper, Institute of Social Studies, The Hague; Mr. Emmanuel Tumusiime-Mutebile, Governor, Bank of Uganda, Kampala. The Royal Netherlands Embassy in Kampala, the Uganda country desk in the Ministry and a number of reference persons in the Ministry commented on various aspects of the study. IOB is grateful to all who contributed by sharing their knowledge, experience and comments. IOB, however, bears sole responsibility for the contents of this report.

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ABBREVIATIONS

ACBP	Arua Capacity Building Programme
AIDS	Acquired Immuno-Deficiency Syndrome
Bn	Billion (10 ⁹)
CAO	Chief Administrative Officer
CAP	Community Action Programme
CB	Capacity Building
CBG	Capacity Building Grant under LGDP
CBO	Community Based Organisations
CDF	Comprehensive Development Framework
CDP	Consultants for Development Programmes
CEBEMO	Dutch Catholic Organisation for Development Cooperation, now CORDAID
CEFORD	Community Empowerment for Rural Development
CG	Consultative Group
CMEU	Co-ordination, Monitoring and Evaluation Unit
CORDAID	Dutch Catholic Organisation for Development Cooperation, formerly CEBEMO
DAC	Development Assistance Committee
DAF/MF	Central and Eastern Africa Desk in the Netherlands' Ministry of Foreign Affairs
DANIDA	Danish International Development Agency
DDP	District Development Project, 5 district pilots
DENIVA	Development Network of Indigenous Voluntary Associations
DETREC	Development Training and Research Centre, NGO in Lira District
DFID	Department for International Development (United Kingdom)
DGIS	Directorate General for International Cooperation in the Netherlands' Ministry of Foreign Affairs
DRDP	District Rural Development Programme(s)
DST/TA	Technical Advice Unit in the Netherlands' Ministry of Foreign Affairs, until 1996

EG	Equalisation Grants
ERP	Economic Recovery Programme
ETC	Educational Training Consultants
EU	European Union
GDP	Gross Domestic Product
GO	Governmental Organisations
GoU	Government of Uganda
HBS	Household Budget Survey
HIPC	Heavily Indebted Poor Countries
HIV	Human Immuno-Deficiency Virus
ICCO	Dutch Interchurch Organisation for Development Cooperation
IDG	International Development Goals
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department in the Netherlands' Ministry of Foreign Affairs, formerly IOV
IOV	Operations Review Unit, now IOB
IRDP	Integrated Rural Development Programme(s)
KASO	Katakwi-Soroti Rural Trust
LC	Local Council
LC1	Local Council 1, the village level
LC2	Local Council 2, the parish level
LC3	Local Council 3, the sub-county level
LC4	Local Council 4, the county level
LC5	Local Council 5, the district level
LF	Logical Framework
LG	Local Government
LGDP	Local Government Development Programme, in the Ministry of Local Government (Uganda)
LGFC	Local Government Finance Commission

Mn	Million (10 ⁶)
MDG	Millennium Development Goals
MFO	Dutch Co-financing Organisations
MFPEd	Ministry of Finance, Planning and Economic Development (Uganda)
MoA	Ministry of Agriculture (Uganda)
MoES	Ministry of Education and Sports (Uganda)
MoH	Ministry of Health (Uganda)
Moj	Ministry of Justice (Uganda)
MoLG	Ministry of Local Government (Uganda)
MoPS	Ministry of Public Service (Uganda)
MoWLE	Ministry of Water, Lands and Environment (Uganda)
MPP	Micro Projects Programme
MTEF	Medium-Term Expenditure Framework
NAADS	National Agricultural Advisory Services
NGO	Non Government Organisation
NIO	Netherlands Investment Bank for Developing Countries
NLG	Netherlands Guilder
NURP	Northern Uganda Rehabilitation Project
NUSAF	Northern Uganda Social Action Fund
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OED	Operations Evaluation Department, the World Bank
OPM	Office of the Prime Minister
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernisation of Agriculture
PMU	Programme Management Unit
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper(s)
PS	Permanent Secretary
RD	Rural Development

RD/LG	Rural Development/Local Governance Sector
RNE	Royal Netherlands Embassy
RT	Round Table
SIDA	Swedish International Development Agency
SNV	Netherlands Development Organisation
SODANN	Soroti District Association of NGOs/CBOs Network
SWAP	Sector-Wide Approach
SWE	Sweden
TA	Technical Assistance
UCG	Unconditional Grant
UDN	Uganda Debt Network
ULAA	Uganda Local Authorities Association
UN	United Nations
UNAIDS	United Nations Programme on AIDS
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
UPPAP	Uganda Participatory Poverty Assessment Project
USAID	United States Agency for International Development
USD	United States Dollar
Ush	Uganda Shilling
WB	World Bank
WEP	Women Empowerment Programme

1 MAIN FINDINGS

1.1 Introduction

This evaluation deals with the co-ordination of development resources in the local governance sector in Uganda, and the role of Dutch aid in that co-ordination. Development resources include the input of the recipient country, Uganda, and external assistance of donors. Cross-country comparisons indicate the favourable conditions for aid co-ordination in Uganda: the country shows a stimulating development policy and, at the national level, a satisfactory institutional environment. Conditions for support to local governance are also encouraging, as the country devised a policy of decentralisation, with ample opportunities for participation of the population in the development process.

The Netherlands is one of a dozen bilateral and multilateral donors in local governance. It occupies a middle position with regard to the amount of funding, and a front position with regard to the prolonged period of support to Northern Uganda. It has supported decentralised development in Northern Uganda since 1991, initially through a project approach with parallel implementation structures and since the end of the 1990s increasingly through various systems of basket funding. Under the latter systems, Dutch aid has been earmarked for nine districts in Northern Uganda, and financial aid is supplemented with technical assistance to the selected districts. Conditions for development support in Northern Uganda were difficult, as the area has suffered from insecurity after a long period of civil war. In the initial period Dutch aid was directed to a broad range of activities in the field of rural development; during the second half of the 1990s, activities focused increasingly on strengthening local governance. Between 1991 and 2002, the Netherlands provided about US \$50 million in support of local governance and rural development in Northern Uganda, equal to some 30% of total Dutch aid to the country's sectors.

The progress in aid co-ordination is assessed in terms of (i) the changes in intensity of co-ordination and (ii) the effects of co-ordination. Regarding degrees of **increasing intensity of co-ordination**, a distinction has been made between information sharing, strategic co-ordination and operational co-ordination. *Information sharing* may be incidental and institutionalised. *Strategic co-ordination* refers to agreement among partners with regard to policies, strategic aims, key interventions and procedures and practices. Based on agree-

ment on policies and strategies, *operational co-ordination* refers to a contract for a common programme, which may comprise pooled funding, joint application of a common intervention design and ultimately joint implementation of a programme.

The *effects* of co-ordination have been assessed in terms of transaction costs of aid delivery and programme design. These criteria were selected because of their relevance for aid management, and their prominent place in the discussions on co-ordination among donors and recipient countries. Moreover, earlier evaluations underlined the favourable effects of good programme design on the achievement of programme objectives. Direct assessment of how co-ordination contributed to the achievement of programme objectives (e.g. poverty reduction in a district) – which is its ultimate aim – is not possible due to many intervening factors.

Transaction costs were approximated by the total time needed for direct programme management and for co-ordination, depending in turn on type of funding modality (i.e. separate or pooled funding), degree of harmonisation of procedures (separate donor procedures or harmonised application of procedures of recipient country), type of programme management (i.e. parallel donor structures or incorporation in regular administrative structures of recipient country) and participation in institutions of co-ordination (e.g. in sector groups). The following indicators were chosen for *improved programme design*: flexibility to adjust plans to changed circumstances, the delegation of responsibilities to relevant administrative levels, incorporation of capacity building in programme activities, increased transparency of financial management and reduction of rigidity of the reporting system.

1.2 Main findings

1. Dutch aid policy on co-ordination corresponds with international trends.

The Netherlands has only very recently worked out its policy on aid co-ordination in more detail. This policy places more emphasis on policy alignment and harmonisation of donor procedures under the leadership of the recipient country, and as such it corresponds with international trends in aid co-ordination. The policy also represents a break with the past, whereby the increase of the volume of aid to a particular country was a crucial goal 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, which in fact implies a transition

towards operational co-ordination. In so doing, actual practice in Uganda preceded the formulation of Dutch aid policy. This shift to basket funding was favourably affected by the improved policy environment for support to local governance in Uganda and by changes in management in Dutch aid, especially the delegation of authority to the Dutch embassies.

However, prior to this delegation and in the absence of a clearly formulated policy on decentralisation and aid co-ordination, differences of opinion between the Ministry headquarters in The Hague and the pertinent Dutch embassy caused long periods of project preparation and rapid changes in the modalities for aid co-ordination. These differences concerned the preferred aid modality (parallel co-financing or separate bilateral project funding), the choice between a top-down approach to rehabilitation through government structures or a bottom-up approach through community participation, and the responsibilities of Ministerial headquarters in The Hague and the Dutch embassy in Uganda with respect to project formulation.

Programme preparation and supervision was characterised by the absence of Ugandans in missions, unilateral decisions about withdrawal from a joint steering committee for the West-Nile programme and lack of consultation about procedures applied by the Netherlands in sub-contracting technical assistance. These examples show that lip service was often paid to ownership as an important principle of Dutch development cooperation.

3. There was an increase in intensity of co-ordination for local governance support in Uganda during the 1990s.

Co-ordination in the local governance sector shows an increasing intensity during the second half of the 1990s. The co-ordination intensity in programmes changed from information sharing to strategic co-ordination and (after the adoption of a common funding modality) also gradually to operational co-ordination.

4. The co-ordination process was strongly donor-driven, with only a recent trend to increased country ownership.

The process of decentralisation of authority to lower echelons of government, and the process of increasing co-ordination was strongly stimulated by donors active in the sector. However, in spite of the encouraging policy environment and the consequent favourable conditions for sector support to local governance in Uganda, most donors appeared hesitant at first to join pooled funding arrangements in the sector. Recently, Uganda's ownership of aid programmes in the sector was increased due to the fact that

Uganda's institutions have been managing the Local Government Development Programme and by the Uganda's co-financing of that Programme (a 10% local co-financing).

5. *Increased intensity of co-ordination in the local governance sector reduced only marginally transaction costs of aid delivery for the Netherlands.*

For the Dutch donor, increased intensity of co-ordination in the local governance sector reduced transaction costs of aid delivery, due to pooled funding, harmonisation of procedures, and abolishment of parallel structures. However, in this early stage of co-ordination lowering of transaction costs for direct programme management was largely nullified by the time invested in co-ordination efforts at the sector and district levels. This means that total time required for aid management of the country programme was not yet reduced significantly.

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 on the part of the Dutch donor implied an increase in management time for the recipient country. This was due to the as yet limited number of donors participating in pooled funding and related harmonised procedures, the extra time required to become familiar with the new system and the weaknesses in the administrative structures at the district and local levels. Also, co-ordination time for Uganda increased.

However, the application of the pooled funding system and related procedures and regulations under the leadership of the recipient country implies an increase in ownership of the aid programme and in its sustainability.

7. *Increased intensity of co-ordination improved programme design with regard to delegation of authority to sub-county level. Other aspects of programme design 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, there is as yet no **visible** effect of co-ordination on such aspects of programme design as increased flexibility of planning, incorporation of capacity building into programmes, greater transparency of financial management and more flexibility in reporting systems.

The new system of local governance support with pooled funding arrangements was recently introduced and has not yet firmly settled. From the stakeholders' perspective, human capabilities and organisational strengthening at the level of district administration and below need substantial improvement to realise the full potential of the system.

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. This two-pronged approach was essential for district development. It stimulated people's participation in planning and implementation and created potential for downward accountability of public administration to the local communities. The allocation of funds to sub-county level enhanced the ownership of the local population, as elected councils approve decisions on development expenditure, including those made available from the central government budget. These phenomena reflect a process of democratisation, which is particularly important in areas such as Northern Uganda, which have suffered a long period of civil strife.

9. Technical assistance to districts under local governance sector support remains unco-ordinated and was not based on a manpower development plan related to perceived needs.

The main obstacle for recipient-led co-ordination in the local governance sector at the district level and below is the weakness of public administration. Technical assistance in the Dutch aid programme for local governance contributed to the improvement of human capabilities through various types of training. Capacity building support followed a learning-by-doing approach but it still lacks a well-documented plan based on an inventory of strengths and weaknesses and an analysis of needs for further training. There was a rationale for such an approach in the initial period of the programme, when there was urgency for rehabilitation of infrastructure and when Uganda's decentralisation policies, and related manpower requirements for local governance, were not clear. However, at the present stage there is a need (and there are favourable conditions) for a more structured approach to capacity building and organisational strengthening.

In addition, technical assistance provided by donors to local governance is as yet not included in the co-ordination efforts and consequently in the evolving 'SWAP' for local governance, but is separately funded. This lack of co-ordination hampers capacity building and reduces its effectiveness.

1.3 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. There are several issues that have to be closely monitored in order to obtain a more detailed insight into the advantages and disadvantages of co-ordination and to appraise the required adjustment of support or the need for additional support to the sector. The following issues require further attention:

1. *Poverty reduction focus.*

The absence of a specific anti-poverty strategy for the nine districts for which Dutch aid is earmarked, and the shift in focus from rural development to strengthening of local governance, may reduce the effectiveness of Dutch aid in terms of poverty reduction. Attention is needed for an inventory of the poverty situation in the districts, the identification of poverty groups and the design of a strategy for poverty alleviation in accordance with the country's overall policy and the district (and sub-county) development plans. The crux of the poverty focus can be seen in the implementation of the plans and in the concrete improvements of the living conditions in the rural areas.

2. *Reduction of transaction costs.*

It is expected that transaction costs will fall for both donors and recipient country once a larger number of donors join the pooled funding system, with its harmonised procedures, and once the relevant institutions in the recipient country have become familiar with the procedures and regulations under the new system. A more complete understanding of transaction costs requires an accurate definition of such costs (taking into account regular costs of managing government programmes) and a more detailed recording of time spent by donors and recipient country institutions on the management of the programme and on co-ordination.

3. *Improved programme design.*

In the short period since the introduction of the Local Government Development Programme, the potential advantages with regard to improved programme design have been realised only to a limited extent. Improvement of the capabilities of Local Government staff is a crucial precondition to realise the potential of the new programme and its joint funding modality, especially where the new system includes the transfer of funds to sub-counties and villages. This is a long-term process, which 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 design of programmes with varying degree of co-ordination intensity (and varying transaction costs), and measures to realise such design.

4. Modality of technical assistance.

At present, technical assistance is provided to nine districts in Northern Uganda through a separate arrangement outside the pooled funding system. In addition, technical assistance is internally co-ordinated for these nine districts. With the Local Government Development Programme in place, and the intention of several more donors to join this programme, there may be a good opportunity to harmonise technical assistance under an arrangement with the Ministry of Local Government and to facilitate capacity building through uniform training programmes.

2 STUDY OBJECTIVE AND APPROACH

2.1 Justification

The importance of co-ordination has been increasingly recognised by multilateral and bilateral donor agencies and their development partners. This is due to its potential to reduce transaction costs of aid delivery and to increase efficiency and effectiveness of development interventions. Especially in the 1990s, co-ordination received more attention. This had to do with such developments as a decline in total aid flows, growing recognition that past aid efforts had not been as effective as expected, a continuous need for aid in a number of very aid-dependent countries, and an intensified international debate on common development goals and the ways to achieve them.

This evaluation deals with co-ordination of resources in the local governance sector in Uganda. There are several good arguments for an evaluation study of Dutch involvement in sector co-ordination in a single country. First, co-ordination of resources for development assistance and the need to harmonise practices and procedures are general principles of the Dutch policy on development cooperation. Second, sectoral co-ordination and pursuit of harmonisation play an important role in SWAPs, which are currently pursued in the Netherlands' bilateral development policies. Third, a focus on a specific case of sector co-ordination could provide practical lessons and experiences useful for further implementation of SWAPs. Fourth, as far as known, sectoral co-ordination activities of one external development partner involved in a sector over a longer time have not yet been the subject of a separate evaluation. Therefore, these findings may provide information relevant for ongoing policy discussions.

2.2 Objective and key questions

The general objective of this evaluation study 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.

The following key questions guided the evaluation:

How did Dutch development cooperation policies for co-ordination evolve in the wider context of international developments in this field?

Areas of attention are the changing views on co-ordination in international forums, the main mechanisms for and agencies involved in co-ordination, and the main characteristics of Dutch development aid policy for co-ordination in general.

How did policies and institutions for the co-ordination of development resources in Uganda evolve?

Areas of attention are the country's overall development policy, partnerships for development, co-ordination policies, the role of relevant institutions, and the activities undertaken at national, sector and district levels.

What are the characteristics of Dutch aid for strengthening local governance in Uganda and what were the main achievements of this programme?

Areas of attention are the dynamics of the programme over time in terms of objectives, inputs and activities, and the development outputs and outcomes.

How did the Netherlands participate in co-ordination activities in its aid programme for local governance and what were the results?

Areas of attention are co-ordination activities undertaken by the Netherlands, participation in co-ordination mechanisms, relationship with relevant partners on various administrative levels, co-ordination results and degree of co-ordination intensity achieved in the Dutch programme and in the local governance sector, and the related factors of influence.

To what extent were the co-ordination activities and results in line with Ugandan and Dutch policies?

Areas of attention are the relevance of activities and of the achieved co-ordination intensity, alignment with Ugandan and Dutch policies, organisation and management of activities, and use of inputs and instruments in pursuit of the set co-ordination objectives.

How effective were the co-ordination activities in terms of transaction costs and improved programme design?

Areas of attention are the relation between the achieved intensity of co-ordination and transaction costs of Dutch aid delivery for the Netherlands and Uganda (e.g. achieved harmonisation of procedures), and the relation between achieved intensity of co-ordination and selected aspects of the design of Dutch support.

2.3 Definitions and evaluation criteria

Co-ordination of resources for development has been defined as the activities of development partners intended to harmonise policies, programmes, procedures and practices with the aim to lower transaction costs of aid delivery and to improve programme design. It is expected that this may ultimately lead to increased effectiveness of the use of these resources. Resources are not limited to those of donors, but include those of the recipient country.

To study co-ordination aspects of a programme, a number of concepts must be specified. The following *degrees of co-ordination intensity* and corresponding **activities** and **results**, have been distinguished (broadly following OED/World Bank, 1999):

- *Information sharing*: Partners **communicate** in relation to their planned and current programmes. This results in **understanding** of each other's positions and programmes. Such understanding will grow in cases where partners set up institutions to exchange information in a regular and systematic manner. Some see information sharing as a precursor to genuine co-ordination.
- *Strategic co-ordination*: Partners **actively build consensus** (using the created institutions), which leads to **agreement** on policies, strategic aims, and key interventions, and occasionally on important procedures and practices. This may bring about a division of tasks, selectivity, in line with comparative advantage of individual partners. Also, partners may agree to apply similar or uniform procedures and practices in their separately implemented programmes.
- *Operational co-ordination*: Having agreed on policies and strategies, partners **negotiate a contract** for a common programme. Such a **contract** may comprise pooled funding, followed by joint application of a common intervention design or a common application of procedures and practices. In the end, a contract may provide a reference framework for joint implementation.

Partners stand for participants in development cooperation: governments of the recipient countries, their national and local authorities, governments of the donor countries, multilateral organisations, international, national and local non government organisations (NGOs) and community-based organisations. Thus, co-ordination does not exclusively mean co-ordination among donors. In recent years, the leading role of the recipient country in co-ordination has been increasingly emphasised. Country leadership in co-ordination stands for a relationship in which the recipient country organisation plays a leading

role in relevant co-ordination institutions and in activities such as design of policy, strategy, procedures, and implementation.

Administrative levels of co-ordination refer to the type of organisation in the recipient country involved in co-ordination. The following levels are distinguished: national/macro level, national/sector level, district level and local level. The former two levels focus on policy and strategy dialogue, technical aspects of interventions (such as operational procedures) and programme financing. The latter two concentrate on attuning and planning of programmes and their implementation, and on monitoring of output.

Table 2.1 illustrates co-ordination aspects of three (types) of programmes affected by national/sector level policies and decisions and implemented in the districts. For each programme type, related co-ordination activities, achieved co-ordination results, and the corresponding degree of co-ordination intensity, are brought together.

The ultimate aim of aid co-ordination is to increase the effectiveness of the use of resources. However, it is not possible to establish a direct causal relationship between co-ordination and the achievement of development aid objectives (e.g. poverty reduction in a district), due to many intervening factors.

In this evaluation, effects of co-ordination are measured in terms of reduction of transaction costs and improvement of programme design. These criteria have been selected because of their relevance for aid management, and their prominent place in the discussions on co-ordination among donors and the recipient countries. Moreover, earlier evaluations underlined the favourable effects of good programme design on the achievement of programme objectives.

The transaction costs have been approximated by the total time needed for direct programme management and for co-ordination. On its turn, that depends on the funding modalities (e.g. pooled funding), on the degree of harmonisation of procedures (e.g. use of national procedures by donors), on the type of programme management (e.g. through parallel donor structures) and on the participation in co-ordination institutions (e.g. sector groups). The following were chosen as indicators of improved programme design: the flexibility to adjust plans to changed circumstances, the delegation of responsibilities to relevant levels of administration, incorporation of capacity building aspects in programme activities, the transparency of financial management and the reduction of the

Table 2.1 Co-ordination aspects of programmes: achieved degrees of co-ordination intensity

Administrative level →	National / Sector level			District level		Achieved degree of co-ordination intensity	
	Policy and strategy	Technical aspects of programme design	Financing of programmes	Attuning/ Planning of programmes	Implementation of programmes		
Programme / related co-ordination activities of a partner vis-à-vis other partners ↓	focus →						
Programme A/ Communication	achieved co-ordination results between partners	understanding	understanding	separate	understanding	separate	Information sharing
Programme B/ Consensus building		agreement	agreement: key procedures and practices, selectivity	separate	agreement	separate	Strategic co-ordination
Programme C/ Contract negotiations		agreement	contract: common design, procedures and practices	pooled	agreement	joint	Operational co-ordination

rigidity of the reporting system. Measured in this way, the effects of co-ordination are primarily an efficiency matter, though they also relate to programme effectiveness.

Several studies have identified factors influencing co-ordination, including those determining the leading role of the recipient government in co-ordination (OED/World Bank, 1999; Holmgren and Soludo, 2002). The leading role of the recipient government is influenced strongly by its commitment to development (implementation of development plans) and institutional capacity in general and that for aid co-ordination in particular. In other words, the weaker the country’s commitment and institutional capacity, the more

donor-driven the co-ordination arrangements. At the donor side, aid co-ordination is affected by the number of donors (each with its own preferences and procedures), the vested interests in their aid programmes and their non-development (commercial or political) motives in providing aid. A final factor refers to the relationship between recipient country and donors (i.e. the degree of policy congruence and mutual trust).

2.4 Scope of the evaluation

The study focuses on co-ordination activities that were developed in the framework of Dutch support to local governance in Uganda in the period 1991-2001.

Uganda has been among the five largest recipients of Dutch bilateral assistance in Africa, and among the eight largest in the world in recent years. It is presently one of the 22 concentration countries of Dutch bilateral aid. Uganda is generally considered to be a country with a rather successful development history during the last 15 years. It receives substantial volumes of aid from an increasing number of donors. This constitutes an interesting background for an evaluation of aid co-ordination with an emphasis on a concrete sector.

The 'local governance' sector is presently one of the three sectors of concentration in Dutch aid to Uganda. Local governance was selected for reasons of the history of co-ordination in the sector, the involvement of the Government of Uganda in the sector, the volume of Dutch support, the presence of a number of other donors and the active participation of the Netherlands in the co-ordination process.

Support to the strengthening of local governance was combined with or followed the assistance to rural development in several districts in two non-adjacent regions in Northern Uganda. Due to administrative reorganisations, the area covers at present five districts in the West-Nile region and four districts in the Teso/Lango sub-regions. In nine of the (19+3) concentration countries for the Dutch bilateral aid, rural development/local governance is a concentration sector. The Ugandan experience thus has learning potential.

Expenditure in the projects and programmes whose co-ordination aspects are being assessed totalled US \$43.1 million in the period 1991-2001. That constitutes about one third of total bilateral Dutch aid expenditure on Uganda's sectors during the period.

The period 1991-2001 represents the duration of the Dutch support to local governance. It allows for an analysis of the changes in both the programmes and the co-ordination efforts and for identification of the relevant factors influencing co-ordination.

This evaluation has several limitations. First, it focuses on co-ordination of activities in a single sector (local governance), concentrating in particular on one donor (the Netherlands) and in the context of one country (Uganda). Second, co-ordination efforts between individual departments of district administrations and sector ministries or between these departments and individual donors ('vertical co-ordination') have not been included. Third, the study does not compare development outcomes with and without aid co-ordination. Still, the study covers a period of ten years and it allows for some judgement regarding co-ordination activities, results, degrees of co-ordination intensity and effects. Comparisons or more general conclusions related to co-ordination achieved under Dutch aid would be warranted only after additional studies of aid programmes under different country and sector circumstances.

For further details about the organisation of the study, see Annex 2.

2.5 Methodology

The study comprised the following steps.

- Background analysis, including a review of international, Dutch and Ugandan policy documents on co-ordination and local governance and decentralisation.
- Reconstruction of development objectives and co-ordination goals by means of an in-depth discussion with the staff of the Royal Netherlands Embassy (RNE) in Kampala.
- Analysis of developments and changes in the programmes under consideration, based on a review of relevant documents in Kampala and the Netherlands, on interviews with key informants there, and on two visits to the districts. In addition, perceptions of stakeholders in these districts regarding the effects of recent changes were collected by means of a questionnaire.
- The information obtained led to analysis and interpretation of co-ordination activities, achieved co-ordination results and attained degrees of co-ordination intensity, considering also country leadership in the sector.
- Effects of co-ordination were subsequently assessed in terms of transaction costs of aid delivery and improvements in programme design.

For further details on methodology, see Annex 2, par. 4.

2.6 Structure of the report

The report begins with a description of the policy context of aid co-ordination. The next chapter (chapter 3) deals with international developments in the field of aid co-ordination (those in the 1990s in particular), and the main agencies involved. It specifies Dutch aid policies and presents the main results of some recent evaluations on aid co-ordination.

Chapter 4 outlines the geographical environment for the present case study of aid co-ordination. It opens with the main characteristics of Uganda and its development policy during the 1990s. A second section describes aid co-ordination in Uganda in general and the role of the Consultative Group and other forums. A final section specifies aid co-ordination for the local governance sector.

The subsequent chapter (chapter 5) provides the details of Dutch aid to district development in Northern Uganda, with a gradually changing focus from rural development to local governance. It presents a rather detailed overview of programme preparations, implementation and results, and it analyses changes in aid management relevant for aid co-ordination and recipient country leadership.

On the basis of these descriptive chapters, the report then analyses and assesses the Dutch role in aid co-ordination with regard to local governance. It focuses on the dynamics in the degree of intensity of co-ordination and the underlying factors (chapter 6), the relevance of co-ordination efforts and the effects of co-ordination of Dutch aid (chapter 7).

3 POLICY CONTEXT

3.1 International developments in co-ordination

Donors have expressed intentions to co-ordinate development cooperation for over four decades, in the context of consultative groups, round table discussions and other development forums. The first co-ordination activities in the 1960s concentrated on the mobilisation of aid resources in consortia and consultative groups. These consortia and consultative groups were donor instruments, while recipient countries were invited to state their case and answer questions. During the 1970s and 1980s recipient countries became full-fledged members, and the number of participants for any consultative group meeting increased and often also included non-governmental organisations. The number of consultative groups also mushroomed. Currently, the World Bank alone convenes and chairs a co-ordination mechanism for some 60 countries. In addition, UNDP convenes round table meetings for 20 countries. Prior to the 1990s, the most important function of these meetings was the mobilisation of aid resources and the increase of the aid volume, rather than the co-ordination of policies and the harmonisation of procedures.

The situation has changed since the early 1990s: co-ordination in terms of policy alignment, harmonisation of procedures and leadership of the recipient country, is now receiving serious attention. This is the result of the following four main factors.

- 1 Consensus among both aid-receiving countries and donors about the goals of development and the conditions and principles necessary for its attainment has been growing. Sustainable poverty reduction has become a central goal of development, and it has been translated into a number of targets, such as the International Development Goals (IDG) and later on the Millennium Development Goals (MDG), seeking increased material standards, improved quality of life and empowerment for the poor. There is also some consensus on the conditions necessary for these goals to be reached: good governance and responsibility for development activities on the part of the recipient institutions (government and non-government), strategic use of resources in a transparent and accountable way, and a more coherent and co-ordinated use of resources.

The Poverty Reduction Strategy Paper (PRSP) has become a potentially useful instrument for co-ordination. The IMF and the World Bank introduced the concept in 1999.

It was seen as a device to direct resources made available by debt relief to poverty-reducing expenditure. A PRSP is a national development strategy integrating goals of macroeconomic stability, growth and poverty reduction. It needs to set quantifiable target levels for these goals, instruments to establish progress in achieving them, in relation to the MDGs. In principle, this strategy has to be designed by the national government after a broad consultation of stakeholders in key social groups. If it passes a joint quality test of the IMF and the World Bank, it becomes a basis for debt relief, and also for aid and credits from the World Bank and the IMF. Such a policy framework, if accepted by other donors, may become a ground for policy, strategic and even operational co-ordination between the national governments and the donor community. By mid-2001, 31 developing countries had compiled an (interim) PRSP (Booth and Lucas, 2002; World Bank, 2002).

- 2 Official development assistance (ODA) has shown a declining trend since the late 1980s. This decline threatens the realisation of development goals. The increase in private capital flows and domestic resource mobilisation in the 1990s could not compensate for the loss of aid in a number of poor countries. This declining aid volume has stimulated donors to join hands more than before, to compensate for that loss by trying to increase the effectiveness and efficiency of aid.
- 3 The record of aid in achieving desired effects has often been disappointing. Various studies (e.g., World Bank, 1990; World Bank, 1992; IOB/MFA, 1996) have shown that aid often failed to enhance development. This was due partly to weaknesses in co-ordination among donors and between donors and the recipient country, which in turn was related to a lack of responsibility ('ownership') of recipient countries. Broad public support and political will for externally supported interventions were often missing, and institutional capacity on the part of implementing institutions was limited. Other reasons for a negative aid record had to do with taking insufficient account of long-term social, cultural and economic consequences of interventions.
- 4 The introduction of the Sector-Wide Approach (SWAP) replaced the focus on projects in a number of donor programmes since the mid-1990s. In such an approach, sector goals are based on a national development strategy (e.g. PRSP), and agreement between the country itself and its partners about how to use resources to achieve sector goals.

The main agencies in co-ordinating development efforts on the donor side are the UN and the World Bank. The Development Assistance Committee of the OECD supports co-ordination in various ways.

The *United Nations* plays a role in co-ordination at the strategic level (UN secretariat, UN summit conferences), and also at the developing country level (through UNDP). At the country level, UNDP has been organising Round Table (RT) meetings since the 1970s, which proved useful, especially in facilitating policy dialogue and eliciting financial pledges. Operational follow-up activities of Round Table meetings proved less effective (UNDP, 1999). Among recent developments, reforms of in-country co-ordination of the UN activities deserve mentioning. The reference for all UN bodies active in a country is laid down in a document called Common Country Assessment. With that reference, and in dialogue with the country concerned, a United Nations Development Assistance Framework (UNDAF) has been formulated to guide in-country activities of the various UN agencies.

The *World Bank* has a leading role in the Consultative Group (CG) processes in many countries. CG meetings, organised since the 1960s under the chairmanship of the World Bank, have until recently always taken place outside the country concerned, have been based on World Bank macroeconomic and financial analytical work, and were organised primarily to ascertain financial pledges of donors. This CG mechanism certainly had its value for co-ordination, both in policy dialogue and mobilisation of resources. Yet, little was done about harmonisation of aid procedures or joint activities (OED/World Bank, 1999).

Some trends to improve 'ownership' of the CG process are now visible (recipient chair meetings, which are held in their country). Within the Bank, some increased attention is noticeable for poverty reduction and for a number of principles, which should ideally govern development cooperation. These principles encompass the following: a long-term, holistic view of development, a concept of partnership between the donor(s) and the government and non-government stakeholders of a country based on equality and mutual trust, ownership of the recipient country, and increased attention for development results and outcomes of interventions. The World Bank tried to incorporate the principles in its Comprehensive Development Framework (CDF) approach, launched to improve Bank relationships with its developing partners. The CDF principles and the extent to which these are introduced in various countries are the subject of a current review (OED/World Bank, 2003).

The *Development Assistance Committee* (DAC) of the Organisation for Economic Cooperation and Development (OECD) promotes aid co-ordination through dialogue and consultation, consensus building, and strategic policy development among donors themselves (e.g. to accept international development goals (IDG)). Recently, DAC has been concerned with the formulation of generally accepted indicators of performance and rules (on the untying of aid, for instance). A Task Force on donor practices, for example, aims to enhance harmonisation of procedures and standards (for instance on financing and auditing).

Next to policies and developments for co-ordination related to individual countries, there are forums and instruments for regional and sector co-ordination. With respect to the former, such forums as regional UN commissions, Strategic Partnership for Africa, African Capacity Building Foundation, and multilateral development banks (particularly their efforts to mutually harmonise procedures) can be mentioned. Sector co-ordination takes place mainly in the recipient countries concerned.

In addition, network alliances can perform a useful role in linking important policy areas and mobilising support for both sector and cross-sector themes and issues (such as the Consultative Group on International Agricultural Research, the Global Alliance for Vaccines and Immunisations, the Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries and UNAIDS).

3.2 Dutch aid policies on co-ordination

The Netherlands has participated in consultative groups and round table meetings for a substantial number of countries and during quite a period of time. Its participation was based on widely shared opinions among donors and recipient countries alike of the advantages of these forums. Several recent policy documents by the Netherlands briefly make reference to co-ordination, e.g. *'A World of Difference'* (DGIS/MFA, 1990), *'Aid in Progress'* (DGIS/MFA, 1996), and various sector policy papers (for example, those on health and education). In line with recent international developments, the Netherlands' position on co-ordination has also become more explicit, culminating in a note to parliament (DVF/IF, 2001). In this note, the Netherlands emphasises that

- the responsibility for the development process and for the co-ordination of parties concerned lies with the recipient country;
- poverty reduction strategies ought to be effected under the leadership of the recipient country after consultation of its civil society and donor community, and

- preference prevails for financing broadly harmonised sector programmes fitting into a national strategy, instead of individual projects and programmes. (DVF/IF, 2001, p.3)

The note also underlines the fact that the specification of the principles of ownership, participation and partnership in a PRSP ascertains the comprehensive co-ordination of aid through the national budget of the recipient country. Other policy measures favouring country-led co-ordination are mentioned, such as promoting CG meetings in the recipient country, harmonisation of aid procedures, increasing involvement of NGOs, co-ordination of broad development themes through the multilateral system and reduction of overlap within that system. According to the note, the advantages of co-ordination of development resources will benefit sustainable poverty reduction, which is the principal objective of Dutch development cooperation.

Two organisational changes in the Netherlands' (bilateral) development cooperation improved the possibilities for the Netherlands to take an active part in co-ordination processes in developing countries.

Since 1996, the Netherlands Ministry of Foreign Affairs devolved decision power for the everyday bilateral development cooperation to its embassies, also providing additional staff and other facilities for these increased responsibilities, thus making possible prompt and informed reaction to local developments. As a matter of fact, the improved possibility for co-ordination was one of the explicit arguments used to motivate this change, apart from simplification of daily operations (Ministry of Foreign Affairs, 1996).

Moreover, since 1998, the Netherlands concentrates its bilateral cooperation on a limited number of countries (at present 22 countries: 19 with a longer cooperation horizon, 3 with a shorter one), with emphasis on a 'sectoral approach' (MFA, June 2000). This approach intends to be conducive for a strategic and selective use of donor resources and knowledge. It implies a division of tasks according to the comparative advantage of partners, which also fits within a plan of the national government for the sector. Such plan must indicate its potential for structural poverty reduction through its links to an overall national development strategy, within the constraints imposed by sound macroeconomic management.

The overall national strategy, the sector plan and the related interventions have to be owned by the country, and donors are expected to adapt their interventions to the sector plan in a coherent way. Financing should preferably be done jointly, through budget sup-

port or basket funding, with or without any earmarking. Project aid remains meaningful if directed towards the development of local institutional and management capacity of the counterpart organisations. In order to strengthen domestic capacities for co-ordination and PRSP, the Netherlands provides support to public finance-management institutions, with the aim of improving budgetary processes, data collection and analysis, monitoring, evaluation and auditing, as well as supporting harmonisation of procedures.

3.3 Outcome of evaluation studies

Although the new perspective on aid co-ordination is quite recent, and experiences with country-led partnership are consequently limited, several evaluations have yielded conclusions regarding the advantages of and obstacles to the emerging new aid relationship. Conclusions are based on a limited number of cases and represent mostly the perceptions of various types of stakeholders (OED/World Bank, 1999; Holmgren and Soludo, 2002).

The main conclusion of these evaluations is that donor-recipient co-ordination activities have increased over the past years, and there have been improvements in co-ordination. These improvements have not been systematic, but highly uneven across donors, across countries, and across sectors within countries. And although many donors state that they adhere to the partnership principle, evidence from case studies and surveys indicates otherwise.

On the donor side, co-ordination is still hampered by institutional legislation, guidelines and procurement rules. Little progress has been made in harmonising aid delivery procedures, and donor reporting requirements have seldom been replaced by reporting systems of the recipient governments. As joint monitoring and evaluation is the exception rather than the rule, and reporting formats and timing are not standardised across donors, the number of progress and financial reports required by donors continue to be a heavy burden on available capabilities in recipient countries. Despite an increased emphasis on SWAP, the large majority of donor-funded activities are project related. Consequently, technical assistance remains a significant instrument for aid delivery, often associated with project implementation units and highly paid consultants. This often undermines public sector capacity and demoralises low-paid civil servants. Conversely, SWAP and other forms of joint funding, and delegation of authority and responsibilities to embassies and field offices affected country-led co-ordination favourably. Further use of programme and budget support is therefore expected to result in better co-ordination (Holmgren and Soludo, 2002).

The record of the World Bank, the main agency in aid co-ordination so far, has been mixed. On the positive side, the Bank's support has helped to maintain the volume of aid for individual countries and to achieve a greater focus on development priorities. In addition, it has stimulated in-country aid co-ordination forums and donor selectivity and harmonisation in sector support. Moreover, it claims to have encouraged countries to play an active role in planning and preparation of aid co-ordination. A series of findings are offsetting these positive accomplishments. These include, in the perception of stakeholders, the arrogant attitudes and non-consultative behaviour of the Bank's headquarters staff during visits, a lack of responsiveness to donor views and to civil society in the consultations preceding aid co-ordination meetings, tensions between the World Bank and UNDP about the role of each in co-ordination, and insufficient attention for harmonisation of donor policies and procedures as the most urgent element in aid co-ordination (OED/World Bank, 1999).

On the side of the recipient country, the main factors that hamper co-ordination are insufficient or uncertain political commitment to poverty reduction and sustainable development, limited institutional capacity and low standards of governance. Donors see improvement of governance as the main objective of donor co-ordination, whereas government staff in recipient countries consider resource mobilisation, i.e. increase of aid volume, as the most important objective.

Donors and recipient countries agree on the need for strengthening institutional capacity for aid management and co-ordination, but the overall record of donor assistance in this field has been rather poor. Both parties mentioned the poor quality and supply-driven technical assistance.

4 UGANDA CONTEXT: DEVELOPMENT, AID AND AID CO-ORDINATION

4.1 Country characteristics

Uganda has had a turbulent history since it gained independence in October 1962. This history is characterised by economic decline, and social and political conflicts. In 1971, a military coup and a subsequent economic war against the Asian community (which dominated the commercial and the industrial sector) marked the beginning of economic collapse and increasing social and political disorder. This culminated in many years of civil war that ended in 1986.

When the new government of President Museveni took over power in 1986, much of the infrastructure was destroyed and GDP per capita was about 40% lower than it was in 1971. The exchange rate was seriously overvalued, inflation was rampant and there had been little budgetary discipline for many years. A first priority for the new government was to restore peace and economic stability.

Peace was promoted by restoring the rule of law, including political opponents in the government, and initiating a process of orderly demobilisation of vast numbers of soldiers. This process was rather successful, except in the North where instability and insecurity continued to hinder a return to normal life until the mid-1990s, and in some areas up to today. Politically, a very slow and careful process towards democratisation was initiated, under strict control of Museveni's National Resistance Movement (NRM). During the 1990s Parliament was re-instated, with individual members being elected again, but without formal party affiliations (a "no-party democracy"). Local Government councillors were also elected again after 1996, on an individual basis. Former political parties continued to resist these restrictions, thus far without success.

In 1987 the Government of Uganda embarked on an Economic Recovery Programme (ERP) to stabilise the economy and bring about structural adjustment. Initial success was limited, but the situation improved considerably after 1992 when the Ministry of Finance was merged with that of Planning and Economic Development into a single Ministry of Finance, Planning and Economic Development. A cash budget system was introduced, which reduced the fiscal deficit; all markets, including the foreign exchange market, were

liberalised, and the parastatals, which had a monopoly in the domestic procurement of main export crops (coffee, cotton and tea) were dismantled. From then on, the economy took off remarkably, with an average growth rate of 7% during the 1990s, and assisted by a large inflow of foreign aid. Official Development Assistance more than tripled between 1986 and 1996, consisting of multilateral loans and increasingly also of bilateral grants.

Table 4.1 Selected macroeconomic indicators, Uganda

	1991	1992	1993	1994	1995	1996	1997	1998	1999 prelim
Real GDP growth (%)	2.6	8.4	5.4	10.6	7.8	4.5	5.4	7.8	5.0
Real GDP growth per capita (%)	0.5	4.4	3.1	8.2	6.0	1.8	2.6	4.4	1.5
Inflation (%)	42.4	30	6.5	6.1	7.5	7.8	5.8	-0.2	6.3
Fiscal deficit - excluding grants (% GDP)	-15.4	-12.1	-11.2	-8.9	-6.5	-6.9	-6.3	-6.4	-14.0
Fiscal deficit - including grants (% GDP)	-8.8	-3.4	-4.1	-3.2	-2.1	-2.0	-0.7	-1.3	-8.0
Government revenue (% GDP)	7.2	7.8	8.9	10.7	11.3	12.1	11.3	11.9	11.7
Government expenditure (% GDP)	23.0	20.0	20.0	18.0	18.0	18.0	17.0	18.0	26.0
Current acc. balance- excl. grants	-13.3	-12.6	-8.4	-8.3	-7.0	-6.3	-8.4	-9.1	-10.7
Current acc. balance- incl. grants	-5.2	-3.7	-1.6	-2.4	-2.0	-0.9	-2.2	-4.4	-5.3
Gross forex reserves (months imports)	1.5	1.9	3.1	3.4	3.6	4.5	4.8	4.9	4.3

Source: IMF Statistical Appendices (various years) and HIPC Second Decision Point Document Jan. 2000

This process of economic growth was accompanied by certain improvements in living conditions. For instance, illiteracy and school enrolment improved, and a substantially higher proportion of the rural population got access to clean water. However, infant mortality stagnated and life expectancy declined, mainly as a result of the HIV/AIDS epidemic (Holmgren et al., 2001, Reinikka and Collier, 2001).

Poverty reduction became an important political consideration in the mid-1990s, once macroeconomic stability had been achieved. This culminated in a Poverty Eradication Action Plan (PEAP) in 1997, after two years of dialogue with representatives from government, NGOs and the donor community, followed by consultations with Members of Parliament, district officials, and employers' and workers' organisations and civil society.

PEAP aimed to reduce poverty to 10% of the population by 2017. It was based on four qualitative policy pillars: (i) economic growth and macroeconomic stability, (ii) good governance and security, (iii) economic opportunities and higher incomes, and (iv) good quality of life for the poor by creating and improving the functioning of social infrastructure. Major sector action plans were derived from this overall framework, serving as the basis for subsequent sector-wide approaches (SWAPs) in priority sectors such as (primary) education, health and roads. PEAP became the guiding framework for all planning. It was implemented through the medium-term expenditure framework (MTEF), a rolling three-year plan that had guided the annual budget since 1992 (Bevan and Palomba, 1999). This represented a serious effort to bring the implementation of poverty reduction goals in line with available resources through sector investment plans, and to assure that those resources were used to finance policy priorities in a transparent and cost-effective way (Tumusiime-Mutebile, 1999).

Local Governments were to become important instruments in this strategy, especially after the adoption of the Local Government Act of 1997. This Act was the culmination of a decentralisation policy (which started to emerge in the early 1990s), which meant a substantial transfer of authority to lower echelons of administration (see section 4.3 below). A new Poverty Action Fund (PAF), established in 1998, guided social developments for the poor. Some three-quarters of the PAF funds were distributed amongst districts on the basis of a flat rate and a weight for area and population. In 2000, PEAP was adapted to PRSP requirements with little difficulty (the PRSP was in fact a summary of the PEAP), as it was a home-grown strategy, agreed upon after an elaborate participatory process (GoU, 2001).

Uganda's population is projected at 23.5 million, in the year 2002, with an annual growth rate of 2.5% in the 1990s. GDP per capita was close to \$300 in 2002. The latest household and other surveys showed that poverty in Uganda had declined significantly during the 1990s. In 1991/92 56% of the population lived below the absolute poverty line; that share decreased to 44% in 1997/98 and declined to 35% in 2000/01. But there are vast regional differences, as everywhere poverty declined more than average, except for Northern Uganda, where it increased from 60 to 65%. Continued insecurity and civil unrest in parts of that region contributed to that outcome (Appleton, 2001).

4.2 Aid co-ordination in Uganda

Donors and foreign aid played an important role throughout the reform process. During the period 1986-1992, donors placed emphasis on the need for Uganda to meet the conditions for structural adjustment and market liberalisation. After 1992, policy dialogue and advisory services (TA) to implement policy became more important.

Foreign assistance (net ODA) averaged US \$556 million per annum during the 1990s, equivalent to around 15% of Uganda's GNP in that period, and financing close to 50% of all public expenditure around 2000 (with a peak of 66% in 1993/94).

A core group of seven bilateral donors each provided more than US \$10 million annually during the 1990s. The United Kingdom is the largest amongst them, followed by the United States, Denmark, Germany, Japan, the Netherlands and Sweden. The number of donors increased from 21 in the beginning of the 1990s to 32 in 2001. Whereas multilateral loans dominated aid at first, these were gradually replaced after 1986 by bilateral grants. Education was the most popular sector during the late 1990s, receiving 17% of all aid, followed by health (15%), transport (15%), water and sanitation (12%) and agriculture (11%) (OECD/DAC, 2000; OED/World Bank, 2002).

Aid by the Netherlands, which had remained below US \$5 million per annum on average during the 1980s, took off from 1991 onwards, when Uganda regained its special priority status in Dutch aid. Its annual net ODA averaged US \$26.3 million during the 1990s, about 5% of all aid to the country. In early 2001, a commitment to stay at that level of aid during 2001 and 2002 was made, at the CG meeting, and an increase of 50% was promised for 2003. Most Dutch assistance consisted of macro support, mainly debt relief through the Multilateral Debt Fund. About one-third of Dutch sectoral assistance went to the sector Rural Development and Local Governance.

Consultative Group meetings have been the most important formal mechanism for aid co-ordination between donors and the Government of Uganda. These meetings, organised by the World Bank, have been taking place about every two years since 1986. Apart from that, donors and the Uganda Government meet quarterly in local co-ordination meetings, on general issues and on poverty alleviation (PAF), under the chairmanship of the Ministry of Finance, which has established a special unit for aid co-ordination, under the name of Aid Liaison Department. This department and an Inter-Ministerial Development Committee must clear all donor-funded projects and programmes.

Donors and the Ugandan Government meet regularly in various sector or thematic working groups. These include sector groups on education, health, water, roads and agriculture; thematic groups on law and order, gender, labour, public service pay reform, disaster management, corruption and poverty; and more general platforms for dialogue and negotiation on policy and budgetary issues. In 2001, there were 18 sector and thematic working groups, with quite some overlap and duplication, and as yet little effort to integrate all these co-ordination groups (MFPED, PEAP, 2001; see also table A3.1 in Annex 3).

Donors also meet monthly amongst themselves, in Kampala, under the chairmanship of the World Bank (resident representative), and through this forum various (informal) sub-groups have been created, for example on social services, agriculture, and decentralisation. Government representatives are sometimes also invited to these meetings.

Initially, Consultative Group meetings focused on the reform programme and financing needs of Uganda, including pledges by donors. During the 1990s, the meetings showed increasing attention for other issues, including those on which the donors and Uganda had different opinions. In general, donors praised Uganda for its outstanding progress at the macroeconomic level, for its approach to poverty alleviation, and for its decentralisation policy. Conversely, they criticised the size and increase of the defence budget, the insecurity in Northern Uganda, corruption, low rates of tax collection and capacity weaknesses at the district level that threatened the success of the decentralisation policy. Uganda expressed its preference for budget support and other forms of non-project aid. It requested donors to undertake all analytical work, appraisal and review together and to jointly set performance indicators. In addition, it asked donors to develop uniform disbursement rules and integrate all support into Sector-Wide Approaches. Donors did not always honour these requests.

Since 1998, CG meetings have taken place at Kampala, which has not only facilitated a broader participation of the Government of Uganda, but has also allowed – for the first time – for the presence of representatives of civil society. These representatives pleaded in the debates for more support to capacity building, and for including local organisations in technical assistance instead of much more expensive external TA. They also proposed an amendment bill to promote an enabling environment for NGOs going beyond the Local Government Act of 1997.

Recently, i.e. since 2000, donors have presented joint statements at the CG meetings – for example, on good governance by UNDP, on the Poverty Alleviation Fund by the United Kingdom and by the Netherlands, on decentralisation by the donor sub-group on decentralisation, and specific sector ones by leading donors, such as on agriculture by DANIDA. While donors agreed that joint statements saved much time at the meeting, these took a considerable amount of time to prepare. After all, there were 32 donors involved in Uganda.

The most relevant issues concerning aid co-ordination discussed at CG meetings, however, were those on partnership and the shift to non-project aid. The idea of partnership for Uganda was discussed for the first time at the 1998 meeting, on the basis of a document prepared by the World Bank. Various new trends were noted in this context: delegation of authority by donors to their country offices, concentration on a few sectors, and also more non-project aid with simpler procedures, and more attention for country-ownership and the role of NGOs.

In 2001, in a joint statement, donors agreed with the principle that “projects should be designed and implemented within a coherent sector framework, adhere to sector priorities and be subject to more detailed appraisal by government”. Moreover, several individual donors expressed a willingness to provide programme (non-project) support and eventually budgetary support, mainly because of good progress made with poverty reduction. Despite these developments, project support, as opposed to budgetary support, remained considerable: about 44% of total grants and loans to Uganda in 1999/2000 were for project support, compared with 63% in 1997/1998 (MFPED, 2001). General budgetary support increased from 37% of total aid in 1997/98 to (planned) 50% in 2002/03, with some donors moving faster than others.

The Netherlands confirmed the importance of such a shift during the meetings and pledged a further move towards budgetary support, assuming continued agreement with Uganda’s development priorities. In 2001, about 90% of its aid was general budgetary support, mainly to PAF, the education and legal sectors, and local governance sector (rural development), and almost all of its pledged support for 2003 (an increase by 50% to Euro 40 million) would then be budgetary support.

4.3 Aid co-ordination in the local governance sector

The system of Local Government (LG) in Uganda is based on the district as the crucial administrative unit. At present there are 56 districts in Uganda, administratively grouped

under four regions. The majority of the districts are rural districts; in these there are four levels of administration: the county, the sub-county, the parish and the village. District Councils and Sub-County Councils are comprised of elected representatives and are the main levels for development expenditure. The Sub-County council includes one member from each parish as well as representatives of specific groups (such as youth, disabled and women). There are also elected councils at county, parish and village level.

In the early 1990s, the Ugandan Government embarked on a large-scale devolution of authority towards Local Governments. It started in 1991 with the re-creation of district (resistance) councils to promote peace and allow different ethnic groups a greater say in their own affairs. The Local Government Act of 1997 strengthened a process of far-reaching decentralisation. It specifies the functions that are decentralised to the district and those that the districts are expected to decentralise to sub-county level. It also stipulates flows of funds and responsibilities for collecting local taxes. Planning takes place at all levels, with elected representatives supported by technical staff. Uganda's fairly unique form of democracy allows individuals to stand for election at all levels, but without party affiliation. Formally, no political parties are allowed, although the National Resistance Movement controls the government process.

From the very beginning in the mid-1980s donors were willing to support the decentralisation process. Regularly, they discussed issues on Local Government in the sub-group on social sectors. In March 1998 the World Bank distributed principles and guidelines for harmonising interactions between donors and Local Governments, a document that had been drawn up in consultation with the Ministry of Local Government. Donors were called upon to harmonise their support to districts in line with the Local Government (LG) planning cycle, to make the LGs fully accountable for the funds, to include their aid in LG plans and budgets, to avoid parallel structures and special accounting systems, to be transparent and to promote collaboration between the Government and NGOs.

Although the document did not arouse much discussion, one consequence was the formation of an (informal) sub-group on decentralisation, with Terms of Reference drafted by the World Bank. With the new Local Government Act (1997) aiming at far-reaching delegation of authority towards district levels (and below), and affecting all types of foreign assistance, a separate group seemed justified. The new sub-group was to be a forum for discussing decentralisation, in particular of financial management and public service reform. The idea was not really to co-ordinate sector matters, but to discuss

crosscutting subjects in that context and focus on lessons to be learned from different forms of donor-support to LGs.

The first meeting of the (informal) sub-group on decentralisation took place in November 1998, followed by more or less monthly meetings since then. Although all donors were welcome to attend, only those with a keen interest in and programmes and projects with LGs participated: World Bank, DFID, Ireland Aid, Danida, the Netherlands, Austria, Belgium, EU, USAID and UN agencies like UNDP, UNICEF and UNCDF. Later, also a few NGOs, like Concern, SNV and Save the Children started to attend meetings. Initially, one of the donors chaired the meetings, but as from June 2000 joint meetings started with the Ministry of Local Government in the chair, and UNDP as the secretariat. However, donors maintained their internal meetings as preparations for the country-led ones.

The sub-group had three main types of activity:

- Sharing information among donors on their own (bilateral) assistance to LGs;
- Discussing general matters on decentralisation and local governance; and
- Preparing joint statements for Consultative Group meetings.

The main general matters discussed in the sub-group were:

- progress made with the Poverty Action Fund;
- the creation of a new Local Government Development Programme (LGDP);
- the incorporation of support in the Medium-Term Budget Framework, fiscal decentralisation and poor local revenue collection;
- strengthening of country-led aid co-ordination in the sector;
- the need for more harmonisation in donor support to local governance, and the preference for basket funding in decentralisation;
- aspects of institutional development in the sector such as capacity building, the unco-ordinated donor efforts in this field, the high turnover of staff in LGs and imbalance of capacities at that level; and
- reviews of several on-going donor support programmes in the sector.

The Poverty Action Fund, the Local Government Development Programme and the process of fiscal decentralisation need some further description.

The *Poverty Action Fund* was established in 1998 to account for the use of the savings, which came available through the HIPC debt relief initiative. It became a major vehicle for trans-

ferring public funds to the district. This meant that an annual \$40 million was reserved for financing priority sectors for poverty reduction, to which donors added at least another \$40 million. These priority sectors were education, health, agriculture, drinking water and roads. The priority sectors were linked to two of the four pillars of PEAP, namely increase of income and improvement of livelihood of the people.

PAF was part and parcel of the national budget, and as such was fully integrated into the Medium-Term Expenditure Framework. Its expenditure was 'ring fenced' (i.e. the PAF budget lines were protected from budget cuts in case of revenue shortfalls). PAF regulations and criteria were worked out in detail, which increased accountability and transparency, but reduced flexibility and adjustment to local situations and attention for inter-sectoral linkages. Most funding was for recurrent expenditure rather than for investment. In 2000/2001, 73% of total was for recurrent expenditure. However, the proportion for investment gradually increased from 2% in 1997/98 to 27% in 2000/2001 (Batkin et al., 2002; Ndungu and Williamson, 2002).

It is expected that PAF will be gradually phased out as a separate system and will be incorporated in the overall government budget. Over time, there will be only one way through which development grants will be transferred to Local Governments: the Local Government Development Programme.

The *Local Government Development Programme* (LGDP) is a World Bank initiative that built upon UNCDF's District Development Programmes (DDPs) in seven districts. LGDP was designed to provide resources to Local Governments, and to test a range of new administrative procedures and the sustainability of decentralising the development budget to LGs. The first three-year period was to be a pilot phase, with a credit of US \$81 million, in a long-term effort to support Uganda's decentralisation policy (World Bank, 1999). LGDP would make use of the Programme Management Unit (PMU) within the Ministry of LG that had been created for the District Development Programmes funded through UNCDF. The latter experience had shown that ownership still had to be strengthened at the local level, as well as financial and management capacity and the operation and maintenance of services.

Annual assessments by the PMU were to verify the extent to which districts met a minimum set of criteria with respect to financial planning and management, including tendering, which were largely drawn from the Local Government Act 1997 and LG Financial and Accounting Regulations 1998. These criteria were: (i) a functional capacity had to be in place for development planning, for internal audit and financial management, and for

technical supervision of engineering works, (ii) a district development plan approved by elected local councils had to be available, (iii) an approved comprehensive and balanced annual budget had to be available, and (iv) books of accounts had to be in order and up to date. Once these criteria were met, the districts and sub-counties were free to spend the allocated funds. A district's performance would be the basis for further funding. Non-performing districts would not get development block grants, about half of the total funds which passed through the regular government budget. However, these districts could still draw on the capacity fund created within LGDP to build up their performance. Other interesting elements of LGDP were:

- built-in incentives (+20%) for well-performing districts, and sanctions (-20%);
- a co-funding requirement of 10% own funds for all external funds received, to promote planning according to own priorities and local revenue collection;
- 80% of the funds should be invested in priority sectors as defined in the Poverty Eradication Action Plan, in order to secure compliance with national objectives also at the district level; and
- 65% of the funds should be immediately passed on to lower LG-levels, the sub-county, which then again passed on 30% of that amount to villages.

The Ministry of Local Government and the LG Finance Commission were also to be strengthened under LGDP, as well as the Ugandan Local Authorities Association (ULAA), particularly with respect to mentoring and monitoring Local Governments, auditing and improved revenue collection.

The 14 districts that received direct donor support were excluded from LGDP, but donors were explicitly called upon by the Ministry of Local Government to apply LGDP principles in their own programmes and to respect the Ministry's legal role in co-ordinating decentralisation.

In 2001 a Mid-Term Review funded by the decentralisation sub-group concluded that so far LGDP had been making good progress, linking development grants and capacity building, and effectively enhancing the performance of LGs through its system of rewards and penalties. Despite its short term of operations, only 15 months, LGDP had become an important tool for fiscal decentralisation (by increasing fiscal autonomy of LGs in a responsible way), and a well-designed funding modality (which had managed to play a key role in aid co-ordination by at least enabling harmonisation of donor support to districts). The report also mentioned the main challenges for the near future: improving local revenue collection to sustain co-funding and recurrent costs, establishment of a

credible, objective and non-corrupt assessment system for verifying qualification of districts for LGDP, a timely and transparent transfer system of funds, and more co-ordination of the various capacity-building efforts (Steffensen, 2002).

A number of issues affecting *fiscal decentralisation* were expressed in a joint statement of the sub-group to the Consultative Group meeting in 2000. These included the relationship between PAF and LGDP, the necessity to increase local revenues and co-ordination of sector plans at the national level and their funding mechanisms. In order to tackle these satisfactorily, six donors (among which the Netherlands) agreed to fund a fiscal decentralisation study, executed under the joint responsibility of the Government of Uganda and the sub-group on decentralisation (Batkin et al., 2002).

The study once again confirmed the difficulties of LGs – now consuming about two fifths of the total government budget, thanks to the Highly Indebted Poor Countries (HIPC) initiative and PAF – in using their (increased) funds well and delivering good services. The study recommended general adoption of the LGDP system, (even though it had just begun in 2000), and the use of LGDP principles in the implementation of the Plan for Modernisation of Agriculture in those districts in which LGDP was executed.

In October 2001 the new *Fiscal Decentralisation Strategy* was discussed once again, with a draft from the Treasury being sent to the Cabinet, after including comments by the World Bank and other donors. There was general agreement that the current fiscal transfer system was inadequate. Subjects still under reconsideration were the complexity of the recurrent transfer system, the equalisation grants to assist poor districts, and the danger of the budgetary cycle becoming too complex. In January 2002 the new fiscal decentralisation strategy was approved with a clear role for LGDP in devolving the development budget of the Central Government to Local Governments. During the fiscal year 2002/2003 the LGDP system will be put in place throughout most of the country. Transfers to the district will be simplified, the number of conditional grants will be reduced, and LGs will get more flexibility in allocating resources. They will be encouraged to budget in a participatory way. Finally, an experiment will start in twelve districts with a system that allows reallocation of part of the conditional grants (up to some 20%) among sectors and budget lines.

Dutch aid to decentralisation and local governance in nine districts in the Northern Region operated in this dynamic policy environment. On the basis of the experiences in these districts, the Netherlands contributed to the process of aid co-ordination in local governance.

5 DUTCH AID TO LOCAL GOVERNANCE IN NORTHERN UGANDA

5.1 Introduction

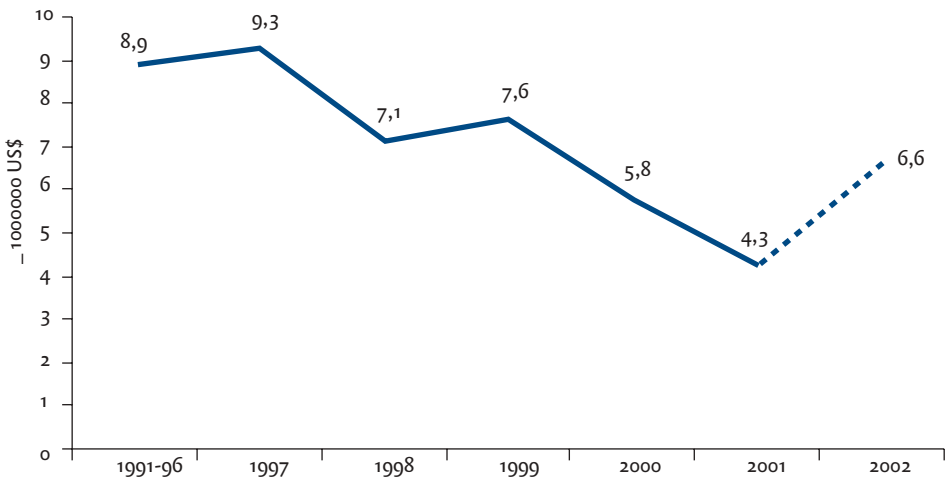
From 1990 onwards, the Netherlands resumed its bilateral assistance to Uganda, restoring the special status that had been revoked after the military coup in 1971 and during the turbulent periods of civil disorder and war. The regional policy document for East Africa for 1992-1995 specified the policy intentions of Dutch development cooperation for Uganda. Import support would be provided, depending on Uganda's macroeconomic policies, and a substantial part of the aid would be channelled through multilateral organisations and NGOs. Bilateral aid was to be concentrated on primary health care (including AIDS prevention), water and sanitation, education, rural development, gender and the environment. Northern Uganda would become a priority area for activities supported by the Netherlands.

The aid volume made available by the Netherlands averaged around US \$20 to 30 million per annum and totalled about \$290 million for the period 1991-2001, which was some 5-6% of total foreign assistance to Uganda. During the initial period, the assistance was chiefly provided as co-financing of World Bank credits, such as an economic recovery credit in 1991 (Dutch contribution US \$20 million), a structural adjustment credit in 1992 (US \$6 million), commercial debt buy-back in 1992 (US \$2.9 million), economic and financial management project/civil service reform in 1993 (US \$4.5 million) and a Veterans Assistance Programme 1992-1995 (US \$5.8 million). During the second half of the 1990s, more than two-thirds of the aid volume was destined for two main categories/sectors: over 40% for budgetary support/debt relief, and another 25% for economy/employment/rural development. Expenditure on good governance was rather insignificant: some 2% of the volume during 1996-2000. Most aid to Northern Uganda was financed under the heading of rural development.

In the period covered by the study (1991-2001), the Netherlands provided US \$43.1 million in support of rural development and local governance in Uganda (on interventions covered in this study). Figure 1 shows the expenditure changes over time. In relative terms, the share of Dutch aid to the sector was on average about 30% of Dutch aid to

Ugandan sectors. Over time, the shares gradually decreased from 37% in 1996 to 25% in 2001. Out of about 12 bilateral and multilateral donors providing local governance support, the Netherlands occupies a middle position with regard to the amount of funding, and a front position as to the prolonged period of support to Northern Uganda.

Figure 1 Dutch aid to rural development and local governance, 1991-2002



Source: Midas. Only the projects and programmes covered by this study have been included in Figure 1. Overview of programmes and projects covered by the study is given in Table 5.1 at the end of chapter 5. The figure for 2002 is indicative.

The general goal of Dutch support for Northern Uganda has been to enhance political stability in that part of the country through rehabilitation and development in the form of integrated rural programmes, concentrating predominantly on small-scale activities, with a maximum participation of local communities. Possibilities were explored whether this could be realised in cooperation with the World Bank, which was embarking on a large-scale Northern Uganda Reconstruction Project (NURP) at that time.

Since 1987, the World Bank had been involved in an overall Ugandan Rehabilitation and Development Plan. Under this Plan, reconstruction efforts were ongoing in Southern and Central Uganda, and a special project was being designed for reconstruction in Northern Uganda following what at the time appeared to be the restoration of peaceful conditions

there. An identification mission was planned to investigate possibilities for a Northern Uganda Reconstruction Project (NURP), which would address short- and medium-term infrastructure needs, including capacity building of the government at local and national levels.

The Netherlands and the World Bank were pioneers in their support to Northern Uganda in the early 1990s. From the mid-1990s onwards other donors followed them.

UNDP/UNCDF carried out a pilot District Development Programme (DDP) in Arua and a few other districts in support of decentralisation and local governance. UNCDF funds for investment in small rural infrastructure were made available as multi-year financial ceilings to districts and sub-counties. These were free to spend it within certain limits once a number of entry conditions were met. For instance, expenditures had to be based on own development plans approved by elected local councils, and a number of management and implementation structures had to be in place. A set of performance measures influenced the continuity of future ceilings. Other donors were providing aid for specific sectors: Unicef (health), IFAD (cotton rehabilitation), SIDA (health), as were some NGOs and churches. Aid co-ordination was non-existent at the time.

From the very beginning there were differences of opinion about the preferred aid modality for support to Northern Uganda between headquarters in the Netherlands, i.e. the Directorate General for International Cooperation (DGIS) of the Ministry of Foreign Affairs, on the one hand, and the Royal Netherlands Embassy (initially at Nairobi, later at Kampala), on the other. Headquarters was interested in co-financing of the World Bank programme and, consequently, in participating in the World Bank mission, as this could assist further operationalisation of Dutch bilateral policy for Uganda. However, the embassy (RNE) was hesitant, as such participation might prematurely lead to specific operational choices. In view of continued insecurity in the area, and for 'political reasons', RNE preferred direct bilateral assistance to co-financing. Headquarters' view prevailed, and in April 1991 a Dutch-funded consultant participated in the World Bank mission. The consultant was positive about Dutch support to NURP, particularly for the sectors (feeder) roads, primary health care and education, rural water supplies and sanitation. Dutch assistance might be organised through a special 'social fund' within NURP. RNE-Nairobi remained doubtful, advocating an integrated rural development programme (IRDP) as a preferred option, for reasons of efficiency, accountability, integration of activities and "visibility" of Dutch development cooperation.

However, DGIS continued to advocate participation in NURP, through its social fund. This could also help to develop more knowledge about desirable future long-term interventions, such as the district (rural) development programmes (DRDPs) suggested by the embassy. Therefore, DGIS decided that the Netherlands should also participate in a follow-up World Bank formulation mission planned for October 1991, although it emphasised that this should not (yet) be interpreted as willingness to finance a social fund under NURP. For the Dutch participation in further preparations, the World Bank developed specific Terms of Reference. Unfortunately, upon arrival in Uganda the Dutch members of the formulation mission learnt that the idea of a social fund within NURP was not on the agenda. While the head-office in Washington favoured originally the idea of a social fund, the WB staff in Kampala considered such a 'bottom-up' approach no longer to be integrated within NURP, which was conceived as a centrally designed sectoral approach for infrastructure rehabilitation and for which concrete plans were already under preparation by the line departments (IOB, 1997; IOB, 1999b).

Since not enough support could be mobilised for a participatory approach within NURP, a separate programme was felt to be necessary. Therefore, the Dutch mission members designed a Community Action Programme (CAP), in consultation with an embassy staff member. This was acceptable to DGIS, provided that such a CAP was an integral part of the whole rehabilitation plan. The Dutch side managed to get CAP accepted, within the framework of NURP, but without direct links to its sector activities. The World Bank offered this proposal to the Ugandan government as a separate part of its NURP report. When the World Bank officially approved NURP in May 1992, CAP was explicitly mentioned as 'Dutch participation in NURP', and Dutch parallel co-financing of NURP was 'a condition of loan effectiveness'. A common co-ordination, monitoring and evaluation unit (CMEU) for NURP and CAP was to be set up within the Office of the Prime-Minister (OPM).

RNE continued to advocate an aid modality under direct embassy control with the Netherlands Development Organisation SNV assisting OPM in the implementation of CAP. In June 1992 the Dutch Minister for Development Cooperation decided to sub-contract the programme to SNV, arguing that there was no Royal Netherlands Embassy (yet) in Kampala and because of risks if the project was handled directly by the embassy (the project being in a remote, insecure area with many displaced persons just recovering from a prolonged period of unrest). All technical assistance was to be handled by SNV, which would share the responsibility for administrative and financial management with

OPM. The only remaining linkages with NURP would be a financial, with NURP funding some CAP-staff and equipment, and organisational, through the co-ordinating unit within OPM. The Ugandan President officially launched NURP and CAP together in July 1992.

For a while, the Netherlands considered additional co-financing for separate sectors within NURP as well, such as education, training, water and sanitation and one special road project. DGIS was not against this, viewing the whole of Northern Uganda (10 districts) as a concentration area for Dutch aid, open to finance other activities than CAP (given the limited knowledge base), and seeing all proposed sectors fit nicely into its regional plan for East Africa. However, the embassy argued that such sectoral support was not in line with Dutch policy, and that NURP's centralised structure would contradict the bilateral, integrated and locally initiated support through CAP, a potential 'trade mark' of Dutch presence in the area. Moreover, CAP was also to be used to gather knowledge for future long-term cooperation with Uganda. CAP was policy-relevant to the Netherlands, according to RNE, in line with its country plan for Uganda within its regional policy plan for East Africa, and also with the then new Dutch aid policy outlined in 'A World of Difference' (DGIS, 1990). That document highlighted support of political and administrative reforms with a less dominant government role, people's participation, agricultural improvements and a central focus on farmers. Finally, a new argument in favour of CAP became the need to support the new Ugandan policy of administrative decentralisation, officially launched in October 1991. This new policy was to start in a few pilot-districts from July 1992 onwards, including one in West-Nile where CAP was to be active. CAP was to strengthen the Local Government, whose task was to serve the people by implementing some of the micro-projects, and thereby promote decentralisation. In the end, the embassy won the argument and CAP could get started.

5.2 Rural development support in two regions: 1992-1997.

Community Action Programme West-Nile Region

CAP was intended to be a flexible rural development programme, with a process-approach and direct participation of target groups, in support of activities for local institution building, rehabilitation of social infrastructure, training, income generation and employment. It was to operate in three of the Western districts of Northern Uganda, in the West-Nile Region, namely Arua, Moyo and Nebbi, geographically separate from NURP, which was to operate in the other seven districts of Northern Uganda. In that way, CAP was no longer really a social fund within NURP. Its preference for the three districts outside the NURP zone was officially justified by the difference in security between the

two areas. Whereas peace and security had already been established in West-Nile in 1987, allowing for structural assistance building upon on-going local initiatives, such a situation had not yet been reached in the other seven districts. The latter, therefore, qualified for pure rehabilitation only, such as that provided through NURP. Later events proved this justification to be wrong.

CAP's overall aim was to help improve the living conditions of the people in West-Nile, both men and women, with the long-term objective to strengthen the institutional capacity of local partners, communities, groups and organisations, and to assist these in expanding infrastructure and services. Its immediate objective was to facilitate and train partner communities, groups and organisations in planning and management skills.

In January 1993 a development grant agreement was signed between the Government of Uganda and SNV, and the Netherlands committed NLG 11.1 million until 1996 (US \$6.6 million). Formally, this was still considered parallel co-financing of NURP, although Dutch funding was channelled directly through SNV. Initial activities in Arua had already started in December 1992, but the first Technical Assistance (SNV-advisors) arrived in Kampala in July 1993.

Soon, co-management of the programme from Kampala by two parties (OPM and SNV) appeared to be complicated. The role of the two parties was not spelled out in detail in the agreement, the national unit lacked a clear counterpart in the districts and the Ugandan government agency and the Dutch NGO differed in their opinions about the best approach to achieve the objectives. Supported by RNE, SNV decided to shift CAP headquarters to the district level. OPM agreed to this shift, which actually took place in early 1995.

In its initial phase, i.e. 1993/94, CAP managed to achieve some capacity building and training. It also trained a number of government officials, although line agencies were hardly involved in the programme. In general, most effort went into setting up the programme's institutions, and there had been little implementation and follow-up of micro-projects, and a lack of technical support. The external mid-term review mission in 1995 explained part of the slow progress by the persistent confusion with NURP, the difficult environment with many displaced persons and ongoing civil unrest, and the thin spread of CAP resources as a result of local political pressure (Sijp, van der et al., 1995).

In line with ongoing efforts at decentralisation of the Ugandan government machinery, the mid-term review mission urged CAP to find a new working relationship with Local Governments in the next phase and develop a clear capacity-building strategy. SNV's reluctance to train government staff, at least within the context of CAP, was overcome by setting-up a separate programme for capacity building in Arua District. In 1996 the *Arua capacity building programme* (ACBP) started, for Local Government staff, with Dutch support for three years amounting to NLG 3.8 million (US \$1.6 million). Specific training for planning, management, budgeting, accounting, tax collection and good governance was envisaged, at sub-county and other levels. A separate *women empowerment programme* (WEP), through adult education and literacy training, also came into being in 1996, again for three years with Dutch support of NLG 3.5 million (US \$1.75 million). Both projects were implemented by SNV as well.

After a one-year extension for 1996, a second phase was approved for three years (1997-99), with Dutch commitments of NLG 13.2 million (US \$6.1 million). DGIS emphasised cooperation with the emerging local authorities, and SNV agreed to at least continue training members of the local advisory committees as part of capacity-building efforts in the framework of public decentralisation in Uganda.

In 1999, the three programmes (CAP, ACBP and WEP) were subject of an external evaluation, which was quite positive in its conclusions (Helmsing et al., 1999). CAP, then covering four districts, had reached one-fifth of the area population and it cooperated with over 200 communities. There were indications that living conditions and self-reliance of that one-fifth of the population had improved. A great number of micro-projects, most of which were directed towards rehabilitation of social services, in all 60 sub-counties, had been implemented in a participatory way. It had enhanced people's capacity, with much involvement of women and increased school enrolment. Communities contributed one quarter of investment costs and seemed to own the projects. There was much less attention for income-generating activities in the agricultural sector. Especially in terms of input provision, processing and marketing, these activities were less successful than CAP's core activities in rehabilitating basic social services.

The Women Empowerment Programme had also been quite successful, training and educating 2000 women and setting up 229 centres for women's activities. However, the project had developed few linkages with NGOs or government departments and, therefore, it was too early to speak of any sustainable effects. The Arua Capacity Building Programme had trained many councillors and Local Government staff at district and sub-county level,

in all about 4000 persons. The training paid due attention to planning (more so than to operational systems and procedures), which exerted a visible effect on bottom-up planning.

Finally, the evaluation mission recommended termination of the parallel structures set up in 1993, and improvement of institutional sustainability by closer integration of activities into the now much improved administrative framework. But since decentralisation also required a strong civil society, the evaluation mission advised that a separate NGO continued the awareness activities in the communities covered by CAP/WEP.

District development support to Lira/Soroti

In addition to its programme in West-Nile, the Netherlands sought to extend its support to more districts in Northern Uganda to enhance political stability there through rehabilitation and development. In May 1993, an identification mission suggested that Lira and Soroti be selected as districts for new activities. Stability had only just returned to the area, and Local Governments were still too weak to engage in more than basic rehabilitation. Moreover, they were not yet allowed to deal directly with donors. Therefore, that identification mission suggested a focus on a few activities only, such as re-stocking cattle (oxen), depleted during the preceding war period, and stimulating cotton production.

A formulation mission in the same year proposed a full-fledged DRDP in both districts. Although the Local Governments had neither been informed properly about the mission, nor knew of any prior identification, Dutch mission members (there was no Ugandan member in the formulation mission) were positive about the dialogue that led to a joint formulation of the two DRDPs, also involving NGOs and groups of farmers (male and female). The Local Government in Lira had just been decentralised, as one of the pilot districts, and Soroti – where peace had only returned in 1992 – would follow by mid-1994. And Local Governments could now deal directly with donors. In the view of the mission, participatory activities were possible in the area, using the existing co-operative structure. The main sectors proposed for support were agriculture (credit, diversification), education, health, water and roads, with a great emphasis on rehabilitation. Re-stocking was not considered a realistic option, as IFAD and the World Bank were already taking that up as part of their cotton rehabilitation (as were some NGOs and the Church of Uganda).

RNE and especially its sector specialists were very critical about the formulation. It repeated its objections against a full-fledged District Rural Development Programme and

recommended more work on feasibility and institutional aspects of a future DRDP, including more attention to Uganda's decentralisation policy.

The re-formulation mission in May 1994, with sector specialists from the RNE and some staff of the Ugandan Government, was surrounded by much confusion and controversy over Terms of Reference, the role of the mission (identification or formulation) and its team leader, and respective responsibilities for follow-up by RNE and/or DGIS. It recommended a careful inception phase of one year to design identified activities in more detail. It advised against giving the Local Government too prominent a role in implementation because of its weak capacity (including corruption) and favoured giving more attention to the private sector. While a parallel structure should be avoided, LGs should not be made fully responsible (yet). Finalisation of the appraisal document by the Dutch side was characterised by continued debate between RNE and headquarters about each other's perceptions and responsibilities.

Finally, in January 1996, a financial agreement between the two governments was signed, almost three years after the first identification mission. Funding was arranged for three years, but support was intended for a period of ten years. Lira would receive NLG 10 million (US \$6.2 million) over the three year period, and Soroti NLG 12 million (US \$7.4 million).

The general objective of the district programmes was to improve the living conditions of the (poor) population through sustainable economic growth and accessible social services. Capacity building of the Local Government would be important, but also training and involvement of NGOs, churches and farmers' groups. Other activities would include sustainable improvements in agriculture (including marketing), education, health, rural road rehabilitation, gender and environment. The agreement specified the technical assistance that would be provided. Each DRDP would have one Dutch co-ordinator and three TAs jointly (for agriculture, education and small enterprise), all directly contracted by RNE.

Management would be a joint task of the district Chief Administrative Officer and the Dutch programme co-ordinator, who would co-sign for all expenditure. The Local Governments would formally implement activities, with a District Executive Committee taking care of co-ordination with local actors, and a National Steering Committee in Kampala overseeing the whole programme. Programme funds would be administered through a separate account at the district level, and released once every quarter upon

RNE approval of quarterly financial reports, half-yearly progress reports and annual budgets and district plans.

Implementation of the DRDPs proved to be a complex process; most district departments still had to learn how to plan and implement field activities. Moreover, it proved difficult to integrate programme activities into existing and new district procedures and habits alongside the ongoing decentralisation. The large number of donor projects in the districts and the implementation of national sector programmes, for example in the health sector, were not well attuned, which hindered smooth implementation. But activities gradually took off and spread across the districts. In 1997, a third district was formally added, when Katakwi was split off from Soroti.

An external evaluation in mid-1998 was positive about achievements with respect to its goal of improving living conditions of the poor people through sustainable economic growth and accessible social services (Mutsaers et al., 1998). Considering the difficult circumstances, the necessary rehabilitation had shown significant progress in a short time and with much participation by local communities. Schools, clinics, water supplies and rural roads had been reconstructed (if not all technically perfect for lack of supervision). Farmers had been assisted to restock their herds with the help of a credit scheme, some co-operatives were revived, and these and other useful micro-projects contributed to more rural activities and agricultural improvements. This also resulted in an increase in food security of the population.

However, the activities in the field of local governance had been much less successful. The district administration had not been strengthened, and planning and budgeting within the DRDPs was still more or less parallel to regular government procedures. District development plans were little more than a collection of sectoral activities, although some preparatory work towards integrated planning had started. There was some co-ordination with local NGOs, at least with some of the numerous NGOs in Soroti (for example, by regular informal meetings in an NGO-forum). In sum, the original design of the district programmes had been too ambitious, with too many unnecessary details for the first years, but without longer-term goals and targets.

Compared to the Dutch-funded district programmes, the World Bank supported NURP fared less well. It was plagued by implementation problems from the outset, faced continued insecurity in several areas, and experienced frustrating procurement procedures

and management problems. Moreover, NURP had to deal with the problems encountered in the shift to decentralisation, while it had no participatory or demand-driven features. Corruption, facilitated by a top-down approach and visible through dubious tendering methods, also hindered its achievements, and so did the lack of flexibility on the part of the World Bank to adjust to changing circumstances. Many families appeared to not be suitable targets for the soft loans. Some success was achieved only in teacher training and road construction (OED/World Bank, 2000).

5.3 Support to local governance sector: 1998-present

The transition period: from direct district funding to PAF.

During the 1990s the emphasis in development aid started to change in favour of more donor co-ordination, ownership of aid by recipients and sector-wide approaches rather than individual donor projects. Official Dutch aid policy had also changed in this direction, and the Ministry of Foreign Affairs had delegated the implementation of policy to the embassies. The new phase of support of (by then nine) district development programmes both in West-Nile and the Lira/Soroti area for the period 2000-2003, prepared during 1999, created the opportunity to catch up with these new developments, and also to follow up recommendations from recent evaluations.

There were two important changes in the district programmes. First, the focus of the programmes shifted from rural development to the strengthening of local governance. Although strengthening local governance had been an element of the district programmes from the very beginning, it had been supplementary later to rural development activities. Core activities would now be capacity building of the Local Governments and improved provision of essential services, with the Local Government in a more co-ordinating and supervisory role. Second, Local Governments were made fully responsible for DRDPs. This meant an advisory role for Dutch TA, and direct budget support to district development plans. However, in line with Dutch development priorities, such support was still earmarked for agriculture, health, education and capacity building.

Funds would be channelled through the Netherlands Investment Bank for Developing Countries (NIO). A grant agreement was signed for three years (2000-2003) between the Netherlands, the Ministry of Local Government and the respective District Administrations. Technical Assistance would be contracted out directly by the RNE to SNV in West-Nile and a (Dutch) consultancy firm in Lira and Soroti. The Dutch TA would continue to share responsibility for financial accountability, and short-term experts could be recruited when necessary. The embassy followed the advice from the evaluation mission

to create a national NGO (CEFORD) to continue the activities on community development and the strengthening of civil society.

Although in line with Uganda's national policy, these changes were not welcomed by all district councils. The councils feared that direct budget support through the Ugandan Treasury might get delayed on the way, involving much paperwork and lengthy procedures, and might lead to cuts in regular government allocations to their districts. Moreover, they felt themselves not yet ready to stand on their own. But the Netherlands insisted on operating through the national system, and it used that system from 2000 onwards.

Nor were Local Governments in favour of the procedures in sub-contracting Dutch TA to the district programmes. Right from the start Local Governments made that clear, wanting to be at least involved in decisions, and preferably hiring the consultants themselves. But while granting them involvement in the selection of the firm, its Terms of Reference etc., RNE rejected their formal hiring of the consultant, not wishing to subject the latter to 'pressure and vulnerability by the district authorities'.

Uganda raised the controversy up to ministerial level. Uganda's Minister of State for Local Government wrote to the Netherlands ambassador, stating that contracting out TA to consulting firms was not appropriate in the current decentralisation process. The management of the programme should therefore not include any intermediary agency. In streamlining donor assistance to Local Governments, Uganda wished to have consistent implementation of programmes, as agreed by donors in their stakeholders' conference. The Dutch minister responded directly, explaining once again that for administrative reasons – reducing its workload – the embassy had to contract out TA services. As a compromise, the Netherlands offered districts the chance to extend the working relationship with the current co-ordinators, irrespective of which consulting firm won the contract, which indeed happened in Soroti. Still, the Ugandan side was dissatisfied, complaining about lack of consultation, minds already made up, donors imposing their own views, Dutch advisors having become implementers without counterparts, etc. After the Netherlands threatened to allocate their earmarked funds to other channels, for example through the Poverty Action Fund (PAF), Uganda backed down and agreed to the changes.

The new phase officially took off in January 2000, when management of all resources of the district programmes was handed over to the districts. A Memorandum of Understanding for Dutch support was signed with each of the districts in July 2000. In the

end there were nine districts, five in West-Nile, and four elsewhere (as after Katakwi, Kaberamaido also became a district (from Soroti/Lira)). Budget support to district sectors and technical assistance were specified for three years, with budget support conditional upon proper planning, budgeting, monitoring and clearing of administrative and financial backlogs by the districts. In accordance with the new Local Government Act (1997), community-based organisations were to be empowered as part of the overall effort to stimulate civil society.

After only one year the embassy introduced new changes in transferring funds. Its support would now be channelled through the *Poverty Action Fund* (PAF). Like the other PAF-grants, this Dutch support to the districts would be conditional on approval of annual plans by the embassy, on top of the common approval by the Ugandan line departments. The Treasury should release funds only after approval by the embassy, which would receive copies of quarterly budget requests (from districts to Treasury) and progress reports. The embassy would also monitor progress directly and arrange separate audits, and wanted to see the total plans of the district, annual and medium-term, including those based on funds from other sources. The embassy hoped that some co-ordination between the various sources (donor, NGO, government) would ensue, and did not want Dutch DRDP funds to be used as counterpart funds for other donor support (as requested by Lira). In addition, local revenue collection of the districts would have to improve. Also other Dutch conditions remained: 'for historical reasons' its aid would, for another three years, continue to be earmarked to specific sectors (social, agriculture, rural roads, capacity building LG), while Dutch policies with respect to women and the environment would have to be taken into account as well.

The choice for the PAF modality followed the advice of the Local Government Financial Commission (LGFC) in late 1999, on how to use existing government mechanisms for Dutch support to districts. The LGFC had suggested PAF or the newly created LGDP, with PAF having a more subtle distribution of funds among districts. PAF regulations were protecting poorer districts by taking into account not only population and area, (as was the case in LGDP), but also age distribution of the population, crop acreage, road length and own-revenue potential. LGDP was explicitly rejected as a modality for Dutch district support at this stage, after a suggestion to that effect from the Ugandan Ministry for Local Government in April 2000, which aimed at boosting donor co-ordination.

The districts were not in favour of the PAF-modality for Dutch support, fearing delays and reduction of the grants made to them by the Central Government, just like in the case of NURP. Nor did they all warmly embrace the sole ownership of the funds, when the embassy suddenly decided no longer to have the Dutch TAs co-sign cheques from mid-July 2000 onwards. 'We are not yet ready for this', the Lira Council explicitly wrote to the embassy, having been accustomed to a Dutch co-ordinator controlling most of the expenditure within DRDP. But the embassy continued with the changes, more in line with the Dutch and the national-level Ugandan policies than with the districts' wishes. In its Annual Report 2000, RNE spoke of 'dramatic changes' in its modalities of cooperation, doing away with parallel structures in West-Nile and specific programme arrangements in Lira and Soroti (RNE, 2000).

The first Dutch funds for Phase II were released in October 2000 after approval of the plans in September 2000. Within one year support to the Lira district became problematic, as external audits for 1998 and 1999 – available in June 2001 – showed many funds unaccounted for, and as the relations between the new Dutch TA and the Council did not prosper. But even after the embassy had suspended distribution of its money to that district, the Treasury continued to release it, and the district continued to spend it. Apparently, corrective action was taken after an exchange of letters between the Dutch Ambassador and the MFPED (RNE, 2001b).

Progress within the new framework was quite slow at first, as it took the districts a while to fulfil all Dutch pre-conditions with respect to an adequate budgetary framework stating the accomplishments of the past three years, resources and constraints for the next three years, objectives and priorities. Annual plans and budgets had to be based on all that, specifying activities that should be pro-poor, gender sensitive and justified environmentally. Dutch funds had to be used largely for investments, with some allowance for operational costs, and all district accounts had to be submitted to the Auditor-General for clearance of the backlog. And it took some time before the districts had shown in their plans that they were giving capacity building the emphasis that was required by the Netherlands during this second phase, in contrast to construction and rehabilitation during the first phase.

The PAF modality lasted for only one year, because from July 2001 the Netherlands decided to henceforth follow the LGDP procedures. These had been introduced in a number of districts in the country in July 2000. LGDP had been designed to devolve the development

budget and decentralise basic public services to Local Governments, while at the same time improving the performance of the lower government level and the financial procedures between Central and Local Governments. Community-based organisations were to play an active role in strengthening Local Governments. Also, attention would shift from the district to the sub-county level, where 65 percent of the funds had to be spent. Following the conclusions of the fiscal decentralisation study, which considered LGDP the best possible system to support LGs, the Netherlands was now convinced of its merits.

Local Government Development Programme (LGDP)

From mid-2001 onwards, Dutch funds channelled to the nine districts are no longer distinct from LGDP funds and procedures. LGDP procedures with respect to district and sub-county accounts, annual working plans, physical progress reports and financial summary sheets now also apply to Dutch DRDP funds. Progress reports need no longer be submitted to the embassy, but may be sent straight to the Programme Management Unit for LGDP within the Ministry for Local Government in Kampala.

There are three main differences with pure basket funding. The embassy releases its funds through the Treasury earmarked for individual districts, on the basis of their annual plans and quarterly requests. The RNE organises its own annual auditing together with the Ugandan Office of the Auditor General, and it continues to have its own Technical Assistance separately funded and under a direct contract between RNE and the consulting agencies concerned.

Technical Assistants would no longer have control over Dutch funds, but focus largely on capacity building of the Local Government, and more than before at sub-county level. A new Memorandum of Understanding about this TA was to be signed, and an external review planned for 2002. SNV, still providing the TA for the five West-Nile districts, is exploring possibilities to supply TA services to other needy districts as well.

Once again, the districts expressed their worries about the new changes at a meeting of all Dutch-supported districts with the embassy in July 2001. They had only just become accustomed to the PAF rules, feared a future cut in funds as a result of the simpler LGDP formula for distribution based solely on population and area size. They resented the fact that they were no longer allowed to use aid for operational expenditure and for capacity building in the same way as before. Moreover, they doubted that sub-counties could properly handle so much money coming to them so suddenly.

However, again the embassy insisted on the changes, anxious to have one uniform system now, which had several advantages for the donor. First, the embassy had a general preference for basket funding as a logical consequence of a sector-wide approach. Only the lack of a clear, transparent and uniform institutional and financial structure in this 'sector' prevented them from unconditional (complete) basket funding, as in primary education. From 2001 on, the embassy spoke only of the sector 'local governance', leaving out 'rural development' (RNE, 2001a). But at least LGDP was the system preferred by the GoU. Second, the fact that through LGDP 65% of the funds would *automatically* descend to the sub-county level (and 30% of that to the lower parish/village level) was also attractive, because so far the indication had been that about 70% of the Dutch funds remained at the district level. Still, the Dutch-supported Local Governments would continue to receive almost twice as much as on normal LGDP conditions, and some would even get both Dutch earmarked and 'other' LGDP funds. Third, LGDP was felt to be in line with the new plans for fiscal decentralisation and would promote participatory planning as well as ownership, through a local contribution of 10% of the funds. And last but not least, it was expected that operating through LGDP would save the embassy a considerable amount of time, since it no longer would need to approve annual district plans. The partial loss of control over the use of Dutch funds was a price worth paying, the more so as the Netherlands would actively participate in the assessments of the whole LGDP system every two years.

The districts supported by the Netherlands had some trouble qualifying for LGDP, just like any other district, but approval was gradually obtained. The Netherlands now provides relatively unconditional budget support to nine districts within the context of Uganda's gradually evolving decentralised government system, still with the explicit objective of poverty eradication.

Table 5.2 Programmes and projects in Dutch support to rural development and local governance.
Expenditure: 1991-2001

Region	Programme/ Project	Districts Involved	Expenditure (x million US \$)	Duration	Implement- ing agency
West-Nile	Community Action Programme (CAP I)	Arua, Moyo, Nebbi	5.12	07-1992–01-1997	SNV
	CAP II	Arua, Moyo, Nebbi, Adjumani	6.10	01-1997–06-2000	SNV
	Women Empowerment Programme (WEP)	Ditto	1.75	05-1996–07-2000	SNV
	Arua Capacity Building Programme (ACBP)	Ditto	1.58	01-1997–12-2000	SNV
Lira / Soroti	Lira District Rural Devel. Programme (DRDP)	Lira	6.36	01-1996–12-1999	LG Lira
	Soroti DRDP	Soroti / Katakwi	6.78	01-1996–12-2000	LG Soroti
	Training, Review, Audit	Lira, Soroti, Katakwi	0.13	01-1998–12-2000	LG Soroti, Lira Katakwi
West-Nile, Lira, Soroti	District Development	Arua, Moyo, Nebbi, Adjumani, Yumbe, Lira, Soroti, Katakwi, Kaberamaido (The 9 Dutch-sup.)	4.65 (total budget 19.03)	01-2000–06-2003	MoLG
	Technical Assistance to District Development	Arua, Moyo, Nebbi, Adjumani, Yumbe, Lira, Soroti, Katakwi, Kaberamaido	0.38 (total budget 2.49)	01-2000–06-2003	SNV ETC CDP
	Support NGO West-Nile for District Development	Arua, Nebbi, Moyo, Adjumani, Yumbe	0.25 (total budget 0.48)	07-2000–06-2001	CEFORD
	Audit of Districts 2000	The 9 Dutch-supported districts	0.05	08-2000–12-2000	Office of the Auditor General
	Study on Agricultural Extension NAADS	All Uganda districts	0.01	09-2000–12-2000	
	Study on Plan for Modernisation of Agriculture PMA	All Uganda districts	0.04	12-2000	
	Fiscal Decentralisation Study	All Uganda districts	0.05	12-2000	
	District Programme Support	The 9 Dutch-supported districts	0.02	06-2001–12-2001	

Source: Midas. Only activities with a budget higher than US\$ 10,000 were included.

6 ASSESSMENT OF INTENSITY OF CO-ORDINATION

6.1 Co-ordination of support to two regions: 1991-1997

The original idea behind the Dutch support was one of rather intensive co-ordination by participating in a wider World Bank programme for rehabilitation of Northern Uganda. The main partners in such a programme, the Government of Uganda (the Office of the Prime Minister/OPM in particular), the World Bank and the Netherlands were broadly in agreement about the necessity to restore political stability and rehabilitate infrastructure in that part of the country. In that sense, they agreed on a common (policy) goal. Despite earlier intentions to the contrary, the Netherlands opted for ‘living apart together’, because of fundamental disagreement with the World Bank about the best strategy to reach the common goals. The Netherlands formulated a separate Community Action Plan (CAP) for several districts in West-Nile Region outside the area covered by World Bank support. There remained an agreement on parallel co-financing, a joint co-ordination unit in OPM and a joint steering committee. However, these structures never worked satisfactorily, and the programme became a purely separate bilateral activity.

When the Netherlands expanded its support to the Lira/Soroti area, no further attempts for co-ordination were made. In another purely bilateral programme with separate funding arrangements it was rather a matter of trying to avoid the type of activities other donors were supporting already. The fact that the Netherlands continued with their district support in Northern Uganda separately was disputed neither by any other donor nor by the Government of Uganda. A low intensity of co-ordination among donors was characteristic for these years. Although some geographical selectivity took place, evaluation reports observed ‘donors tripping over one another’, and ‘the large number of un-co-ordinated donor activities and vertical programmes hindering a smooth implementation’ (Mutsaerts et al., 1998; OED/World Bank, 2000).

The Ugandan Government was only marginally involved in the preparation of the programmes. Especially identification and formulation of new activities were at the time purely donor-driven. Yet, formal agreements were always reached between the two governments. And when there was any disagreement, such as about the type or modality

of technical assistance or other technical aspects of programme design, the donor imposed its will on the recipient. Vast delays, due to endless debates within the Dutch aid bureaucracy, were hardly communicated or explained to recipients.

At the district level and during implementation there was a more direct relationship between donor and recipients. In West-Nile, SNV worked closely with the local communities, but it did not show much inclination to do so with the district authorities, which were rather weak in that early stage. From 1996 onwards, some institutional linkages with the district administrations in West-Nile were set up in a separate capacity building programme that enhanced the understanding of both partners (consultants and district administrations) about each other's district development activities. In Lira/Soroti there was from the beginning a direct institutional link with the Local Government. However, also in this area there was some kind of parallel separate structure, limiting the integration of the district programmes – though implemented by Local Government – into regular government structures.

Contacts within the districts with local actors such as local communities, NGOs and churches, were developed gradually once the programmes took off. Certain activities were sub-contracted to them, and also to the commercial (construction) sector. CAP in its second phase started to build relations with NGOs in West-Nile. In Soroti such contacts grew more spontaneously, because civil society was well represented there. Moreover, the church organisations in Soroti had been supported by Dutch co-financing NGOs since the 1980s. In Lira there were few such organisations.

Gradually, and with support from their overseas partner organisations, local NGOs also started to co-ordinate with local authorities. At first, the latter were not very eager to do so. Government staff preferred to keep control over the implementation of donor supported activities, due to their bureaucratic attitude and self-interest, as controlling implementation meant access to much needed allowances associated with these activities. To the extent that contacts with civil society organisation were institutionalised and grew more regular, a pattern of understanding of each other's operations developed, and local programmes were attuned to wider district development plans.

In sum, during the first phase of Dutch support to district development programmes in Northern Uganda, co-ordination activities at the national level were in fact restricted to incidental rather than structural exchange of information. Co-ordination resulted in some understanding among partners of their objectives and activities, and in some geo-

graphical division of tasks. The exchange of information became institutionalised and regular at the district level, and again more so in Lira/Soroti than in West-Nile, resulting in growing mutual understanding of partners and in attuning and planning of programmes which were, in fact, still separately implemented.

Table 6.1 Co-ordination aspects of Dutch support to local governance in two regions: 1991-1997

Administrative level →	National / Sectoral level			District level		Achieved degree of intensity of co-ordination	
	Programme focus →	Policy and strategy	Technical aspects of programme design	Financing of programmes	Attuning/ Planning of programmes		Implementation of programmes
Programme Co-ordination activity: Communication ↓							
Community Action Programme I 1992-1996	achieved co-ordination results between partners	understanding; geographical selectivity	understanding	parallel co-financing; separate	understanding	separate	Information sharing
Community Action Programme II 1997-1999		understanding; geographical selectivity	understanding	separate	understanding; institutions set up	separate	Information sharing
Lira/Soroti District Rural Development Programme 1996-1999		understanding; geographical selectivity	understanding; support to district gvt.s	separate financing of district gvt.s budgets	understanding; institutions set up	separate	Information sharing

As shown in table 6.1, there was at that time very little co-ordination among donors and with the Government of Uganda, and the achieved degree of co-ordination intensity can at best be characterised as *information sharing*.

The main reasons for this low intensity of co-ordination were the following:

- 1 Institutional structures for co-ordination for the local governance sector and at the district level were rather weak, partly due to the lack of security and the recently established government structures at the district level.
- 2 There was a vast need for funding to rehabilitate infrastructure and to trigger the development in Northern Uganda, and almost all proposals of donors were accepted.
- 3 There were differences of opinion among donors about priorities, strategies and approaches. For the Netherlands, the differences with the World Bank were too large to maintain even parallel co-financing. Yet, donor considerations with regard to the visibility of their 'own' programme and the perceived need to demonstrate the correctness of a specific approach and aid modality also played a role.

6.2 Co-ordination of support to local governance sector: 1998-present

At the time that the Dutch-supported district programmes approached a new phase in 1998, the Netherlands decided to change the focus, organisation and management of these programmes. Initially, it opted for direct budgetary support to Local Governments in the pertinent districts. In so doing it accepted Uganda's financial and accounting system for Local Governments as part of its intervention design. However, it added important additional procedures and provisions for technical assistance to ascertain adequate attention for Dutch policy priorities, to strengthen Local Governments' implementation capacity and to assure accountability.

By adapting its district funding to the mechanisms of the Poverty Action Fund (PAF) already the next year, the Netherlands for the first time applied a type of 'quasi-budget support' to local governance. The Netherlands continued to supplement this pooled funding with its own conditions and procedures. This modality was in full agreement with the policies of the Ugandan Government (though LGDP was its preferred option for LG support already). However, it aroused hesitation on the part of the LGs. Their main reasons were the rigidity and complexity of reporting procedures, the complicated system of financial management under PAF and a limited influence of local bodies on development spending.

Again one year later the Netherlands accepted the Local Government Development Programme (LGDP) as the model for its support. This shift was related to the complexity of the PAF procedures, the positive experiences with LGDP as model of funding for local governance in several other districts, and the consequent nation-wide application of the

LGDP model. In so doing, the Netherlands joined a pool of budget-related financing which included participation of two other donors (i.e. the World Bank and DFID), and also the Government of Uganda. Still, the Netherlands continued to attach some of its own procedures to the LGDP model, of which the provision of Technical Assistance must be mentioned separately. However, the attachments were substantially less numerous than those accompanying the support through PAF.

At the national level, the support of the Netherlands for strengthening local governance was now based on an agreement with regard to policy and strategy and on a contract with regard to pooled funding and programme design. At the district and sub-county levels there was a shift from information exchange to agreement on the planning of programmes and joint implementation. At the local level, co-ordination altered from attuning with local partners based on growing mutual understanding to more intensive co-ordination of Local Governments with NGOs and, occasionally, NGO assistance in sub-county planning. The Local Government Act (1997) stressed the enabling government role and facilitated formal sub-contracting to NGOs and the commercial private sector. In order to further improve GO-NGO partnerships, RNE, in cooperation with Dutch co-financing NGOs, took the initiative for Round Table conferences in the districts it supported in 2001, which stimulated dialogue on future common action (plans) (CEFORD, 2001).

The co-ordination aspects of Dutch programmes after 1998 are summarised in Table 6.2 below. Consensus building between Uganda and its donor partners (including the Netherlands) resulted in the acceptance of a common policy framework for local governance support. The agreement on Uganda's policy of decentralisation, carried out in the policy context of the Poverty Eradication Action Plan remains a striking feature of co-ordination in the local governance sector.

Although the Netherlands accepted the Local Government Financial and Accounting Regulations of 1998 as a reference for programme design, Dutch procedures were still attached to the programme modality of 1999, standing in the way of full integration into the Ugandan LG structures. The modality was characterised by separate financing and separate implementation. After one year, the PAF modality, a form of 'quasi pooled funding' was adopted. For the first time, the Netherlands not only accepted a common policy but also agreed to jointly apply a preferred national system (PAF) to Dutch aid. However, the Netherlands maintained quite a number of stipulations and earmarking of budgets for individual districts.

The ultimate modality of support, LGDP, based on a contract for pooled funding, is characterised by significantly fewer Dutch procedures and earmarking than PAF. This enhanced joint implementation.

The Dutch-supported programmes after 1998 were thus characterised by an intensification of co-ordination, from *strategic co-ordination* initially to *operational co-ordination* later on.

Table 6.2 Co-ordination aspects of Dutch support to local governance sector: 1998-2002

Administrative level →		National / Sectoral level			District level		Achieved degree of co-ordination intensity
Programme/ Related co-ordination activities of a partner →	focus ↓	Policy and strategy dialogue	Technical aspects of programme design	Financing of programmes	Attuning/ Planning of programmes	Implementation of programmes	
Direct Support LG 1999- 2000 consensus building	achieved co-ordination results between partners	agreement	agreement on LG regulations; attached Dutch procedures	separate	agreement	separate	Strategic co-ordination
Support LG via PAF 2000-2001 contract negotiation		agreement	contract; attached Dutch procedures	'quasi' pooled	agreement	joint	Operational co-ordination
Support LG via LGDP 2001-2003 contract negotiation		agreement	contract; Ugandan procedures	pooled	agreement	joint	Operational co-ordination

The main factors contributing to the change in the organisation and management of Dutch support to local governance, and to a higher degree of intensity of co-ordination of that support, were the following:

- 1 The more pronounced role of the Government of Uganda as a partner in development. During the second half of the 1990s the Government had adopted policies on poverty alleviation and decentralisation in close consensus with the donor community. At the Consultative Group meeting of 2000, donors declared their support to that policy and in that manner a joint policy framework was established for what gradually became a local governance sector. With the publication of the Local Government Financial and Accounting Regulations in 1998, the Ugandan Government presented a technical framework (i.e. uniform procedures and practices for LG operations). The application of these procedures and practices, however, differed in various parts of the country, depending on the capacity and the willingness of the local administrations.
- 2 The activities of the donor sub-group on decentralisation. The sub-group became an effective mechanism for co-ordination in the local governance sector. It was a forum for exchange of information, which increased knowledge and stimulated attempts for joint policy statements, harmonisation, budgetary funding, attuning of technical aspects of interventions and of cross-cutting issues concerning planning and implementation. The Netherlands became an active member of the sub-group.
- 3 Changes in Dutch policy and management regulations. The shift from a project approach to the sector-wide approach allowed for the selection of local governance as a sector, with a clear focus on the strengthening of both government administration and civil society. The delegation of authority for planning and implementation of programmes to the embassy facilitated the adjustment of aid programmes to local conditions. The changes in national policy in Uganda and the experiences in the district programmes could now more easily and more rapidly be translated in a transformation of the programme and the funding modality.

The shift to budgetary support through LGDP did not mean that districts in the West-Nile and Lira/Soroti areas no longer faced serious problems in implementing decentralisation policies, e.g. in transparency and accountability. Weaknesses in the system had to do with limited resources of the councils, low educational levels of the councillors, difficult relationships between elected leaders and civil servants, and non-compliance with certain rules and regulations, which resulted in poor budgeting, tendering and monitoring. NGOs were seen as implementing agencies rather than as equal partners in development, the more so as these were reluctant to open their books to district staff so that activities were included in the district plans, as the 1997 Act stipulated. Yet, the LGs increasingly had to hire NGOs for certain activities, such as the training of civil servants at sub-county

level. But NGOs had their own problems as well, such as little co-ordination and/or networking amongst themselves, inadequate resources, lack of transparency, unclear status and political influences (CEFORD, 2001). Nevertheless, the growing acknowledgment of both LGs and NGOs/CBO of what they mutually had to offer, encouraged by some donor partners, facilitated their co-ordination in planning of interventions at the local level.

6.3 Present situation in aid co-ordination for local governance

Within a common sector policy framework, many donor programmes provide support to Ugandan local governance and decentralised development. In total, there are 14 bilateral programmes and 12 multilateral ones. Most prominent among bilateral donors are Ireland, Denmark, Belgium, Austria, the United Kingdom, the United States and the Netherlands. The multilateral donors include the World Bank, the European Union, UNCDF and UNICEF. Donors operate under different funding modalities: general/sector budgetary support, direct budgetary support to district administrations, programmes with their own parallel structures and basket funding through LGDP. In addition, several forms of technical assistance are in operation. However, from 2003 onwards almost all bilateral donors intend to streamline their financial support into LGDP, while maintaining separate arrangements for Technical Assistance.

As table 6.3 shows, out of a total of 56 districts, no less than 51 receive their local governance support through separate programmes with parallel structures. Almost the same number of districts receive funding through LGDP. The modality of direct support to district budgets is less prominent; it operates in almost one-third of the districts. In addition to these three types of funding modality, six of the main donors provide some budgetary support to the sector outside LGDP: UK, the Netherlands, Ireland, EU, Sweden and Norway. A few, like Ireland and the Netherlands, also supported districts in general through PAF in an additional grant for PAF (outside their support to a district budget or to LGDP). Denmark provides support to central authorities in the sector, apart from its separate district programme.

Somewhat ambiguous is the position of the World Bank in its support to local governance and district development in Uganda. The World Bank funded both the Northern Uganda Reconstruction Project (NURP) and the Local Government Development Programme. The former started in 1993, was highly centralised and was implemented through sector ministries. The latter was based on a UNCDF pilot project and became the Ugandan preferred system of funding local governance from 2000 onwards. From 1999 onwards, when a new

Table 6.3 Types of present donor programmes to support districts and central LG authorities

Programme type ↓	Donor, number of districts (programme name)	Total number of resulting district-donor relations
Direct Support to LG budgets	Ireland, 3 Austria, 1 Belgium, 1 Denmark, 1 IFAD, 3 UNCDF/UNDP, 7	16
Support to LG via parallel structures	USAID, 7 (District Capacity Building) EU, 6 (District Programme) EU, 20 (District Micro-Project Programme) WB/Norway, 18 (NUSAF= N.U. Social Action Fund) Denmark (Capacity Building MoLG, LGFC, ULAA)	51
Support to LG budgets via LGDP	WB, 39 Netherlands, 9 United Kingdom, (capacity support to MoLG)	48

Source: Adapted from Steffensen, J. et al., (2001). Indicative of 2002 situation. A schematic illustration of the situation is also given by figure 2 in Annex 3 and Table A3.2 of Annex 3.

phase for NURP was planned, several donors requested information both at the decentralisation sub-group meetings and at the general local donor group meetings about the modality that would be applied in the next phase. By mid-2000, the design of the new phase, now called the Northern Uganda Social Action Fund (NUSAF) was more or less completed. The World Bank had apparently learned from NURP's first phase and now also planned to adopt a model of working through community-based organisations and NGOs, providing small loans for investments in infrastructure. While none of the donors disputed the need for extra funds for Northern Uganda, donors did worry about the parallel structure that was about to be created by channelling NUSAF funds through the Office of the Prime Minister (OPM). Even the investments in infrastructure would not pass through Local Governments at whatever level, but go straight to NGOs or communities. This seemed strange in view of the World Bank's own funding of LGDP and its advocacy for others to join. Donors feared that it would undermine LGDP and frustrate the joint

decentralisation efforts. Moreover, they did not agree with the World Bank that Local Governments in the North did not function well enough to put all eggs in one basket, as most northern districts had met the eligibility criteria for LGDP.

The World Bank insisted that the Northern Region was different in that its specific institutional and social capital constraints were not taken into account by the general LGDP system. Nor did equalisation grants allow for sufficient adaptation to the more serious poverty situation in Northern Uganda. The Bank pleaded flexibility in using communities and the Local Governments on a case-by-case basis, depending on how well LGs were reaching their respective communities and how the latter were performing. In early 2002 the World Bank approved NUSAF, and over a period of five years another US \$100 million will be spent in 18 northern districts, most receiving also LGDP and other donor funds through different and somewhat conflicting modalities.

The preceding analysis makes abundantly clear that individual district administrations are still confronted with a wide variety of conditions, procedures and regulations. The number of district-donor relationships under the three main funding modalities totals 115. At present, there are 56 districts in Uganda. This implies that a considerable number of districts are confronted with several different modalities and the accompanying rules and regulations. In the nine districts supported by the Netherlands through LGDP, four of the nine districts also receive funding from WB-supported LGDP. The number of other donors providing assistance through either district budget support or via separate projects with parallel structures varies between one (e.g. in Katakwi and Soroti) to four (in Arua and Yumbe). This, of course, is exclusive of various sector programmes implemented in these districts, again with their own procedures.

Moreover, most programmes still have separate Technical Assistance provisions attached to their financial support, and thus far each donor seems keen on retaining these. After all, that is their sign of visibility in the field, and their instrument for ascertaining attention for their policy priorities. Often, TA staff takes care of capacity building, although there are also a number of specific capacity building efforts, both at the district level (USA and EU) and at the national level (UK and Denmark). LGDP also includes a capacity building component, but this is meant to introduce the new system rather than to promote capacity building in general. Little co-ordination is as yet going on in this area, although a national capacity building strategy is under construction. The prevalence of bilateral programmes outside LGDP and the separate modality for technical assistance maintained

by all donors makes clear that there is still an urgent need for further streamlining and harmonising assistance to the local governance sector.

In spite of these shortcomings, it is obvious that over the past decade there has been a tendency towards increased intensity of co-ordination in the local governance sector. Donors, which concluded contracts to mainstream their support through the Local Government Development Programme and to provide general budget support to the sector, such as the Netherlands, exhibit a trend towards *operational co-ordination*. Donors, which agreed to provide direct support to individual Local Government budgets through their programmes, and which are gradually adapting to the LGDP, engage in *strategic co-ordination*. Donors providing support to Local Governments via parallel structures in fact only pursue *information sharing*: they agree on a common policy framework but not (yet) on a common system or a common programme design for their separately financed programmes.

Thus far, the Ministry of Local Government, the Ministry of Finance, Planning and Economic Development and the decentralisation donor sub-group seem to accept this varying degree of co-ordination intensity of programmes. The underlying factors are, among others, as follows:

- 1 In contrast with an accepted policy, an operational strategy accepted by *all* partners is still lacking in the sector. The fiscal decentralisation strategy, which may play that role in the future, is in its pilot stage, with important aspects in need of further elaboration (local revenue raising, equalisation grants). LGDP II can also form an accepted strategy framework.
- 2 Some donors, particularly multilateral ones, are constrained by headquarters regulations or national legislation to adopt certain financing modalities and Ugandan procedures.
- 3 Many donors make a great song and dance about aid co-ordination, but do not live up to their words in practice because of visibility reasons, tradition or lack of confidence.

The effect of varying co-ordination intensity of programmes is that local administrations, desperately in need of capacity building, are confronted with a wide variety of donor conditions, procedures and accounting and reporting systems.

7 ASSESSMENT OF RELEVANCE AND EFFECTS OF CO-ORDINATION

7.1 Relevance

Until recently, Dutch aid policy on co-ordination was rather vague, and not worked out in any detail. In concrete activities it was basically limited to the participation in relevant Consultative Groups and co-financing of World Bank credits. Until the late 1990s, harmonisation of donor procedures and recipient country leadership were mentioned only in general terms in policy documents, if at all. It was therefore quite understandable that under the prevailing conditions of insecurity in Northern Uganda following civil war, the Netherlands started to opt for co-financing of the World Bank initiative for rehabilitation for that area.

In the absence of a specification of Dutch aid policies for decentralisation and local governance during the early 1990s, the emphasis in the Dutch aid programme for Northern Uganda was on rural development. Formal policy goals of poverty alleviation were to be achieved through stimulating agricultural production and improving of community services. There was also no official Dutch policy document on decentralisation before 2002. Prior to this time, the embassy argued that good governance is a key principle in aid policy, and that decentralisation and local governance were inseparably connected.

The focus on community level was lacking in the World Bank sponsored Northern Uganda Rehabilitation Project (NURP). NURP's preference for centralised sectoral support led the Netherlands in the end to opt for a separate funding modality, creating parallel structures for implementation of the district support programmes. The long deliberations between headquarters and embassy reflect the lack of clarity in Dutch aid policy, at least under the conditions prevailing in Northern Uganda.

In retrospect, the separate project funding and a low intensity of co-ordination proved to be wise policy. Activities were in accordance with policy objectives for poverty alleviation and rural development. In addition, the approach through the local communities appeared to be more successful in rehabilitating social infrastructure than the centralised sectoral approach adopted under NURP. Moreover, in a second set of districts in Northern

Uganda, the more favourable opportunities for involving Local Government and NGOs were effectively made use of, although the modality of a separate project was maintained.

In the late 1990s Dutch support to Northern Uganda got into a process of rapid transition. The focus of activities shifted from rural development to strengthening of local governance, covering both public administration and civil society. The Netherlands participated actively in a donor sub-group on decentralisation, and the aid modality changed from separate project funding with a parallel implementation structure to basket funding of a national programme stimulating local governance. These changes were in accordance with policy intentions for good governance and aid co-ordination, even before these were fully elaborated in official Dutch policy documents.

In the absence of formal policy plans outlining objectives and preferred modalities for aid co-ordination during the 1990s, this evaluation has attempted to reconstruct the intervention logic underlying Dutch support to Northern Uganda. This reconstruction reveals that the Netherlands was gradually mainstreaming district support in Ugandan procedures and mechanisms on the basis of experiences gained in the districts and in line with new developments in Ugandan national policy. In fact, RNE was quite pragmatic in adjusting aid modalities to changing circumstances. (see Annex 4, table A4.1).

The ultimate result of this process, i.e. funding through LGDP, is also policy relevant from the Ugandan perspective. The Government of Uganda requested donors, including the Netherlands, several times, both individually and through existing aid co-ordination mechanisms, to apply Ugandan rules and regulations in their support. Ugandan preferences for donor support to local governance/district programmes were not wholly clear at that time yet: some agencies preferred LGDP (for example MoLG), others saw possibilities for both PAF and LGDP (for example LGFC). In 2000, the Netherlands opted for channelling funds through PAF. It exchanged PAF for LGDP already one year later. The latter choice was in full agreement with Uganda's decentralisation policy, with Uganda's preferred strategy, and it enhanced Uganda's ownership of the district programmes. Over the years policy congruence between Uganda and the Netherlands increased, which in turn affected recipient-led aid co-ordination favourably.

7.2 Effects of co-ordination

The effects of recipient-led operational co-ordination of Dutch support to local governance have been assessed in terms of the reduction of transaction costs of aid delivery and improvements in programme design.

Transaction costs of aid delivery were much discussed but not unambiguously defined in the literature. No accurate financial data on such costs and savings therein were available for this study. Nor did RNE operate a system of time recording detailed enough to express such costs and savings in terms of time. In the absence of such data, the situation of separate programme funding is compared with that of pooled funding under LGDP (i.e. the situation before and after participation in the recipient-led operational co-ordination system). Transaction costs before and after operational co-ordination were assessed on the basis of four indicators: prevailing funding system, harmonisation and origin of procedures, type of management modality and related co-ordination time. The analysis is based on stakeholder perception of timesaving and increased time use.

For the improvement in programme design, the analysis used five indicators: flexibility of planning, delegation of authority to relevant administrative levels, incorporation of capacity building into programmes, transparent financial management and adequate non-rigid reporting system. This evaluation examined whether the subsequent programmes of Dutch support contained provisions in relation to the chosen factors, and whether stakeholders perceived such provisions to be realistic.

Effects on transaction costs of aid delivery

The financing modality changed from separate project funding to pooled funding, with earmarking of Dutch funds for individual districts. As separate support relations with the nine districts were replaced by a single Ugandan system, transaction costs were reduced for the Netherlands. For Uganda, the pooled funding led to a reduction of financial transactions (for both the MFPED and the district administrations). On balance, transaction costs for both the Netherlands and Uganda were reduced under pooled funding.

Harmonisation of procedures within the Dutch programme increased over time. First, the separate programmes were brought into one direct district budgetary support programme. This internal harmonisation for nine districts already lowered considerably transaction costs for the Netherlands. Over time, the Netherlands increasingly adopted Ugandan procedures for its districts: procurement regulations of the Government Financial and Accounting Regulations of 1998 and later the Local Government Tender

Regulations of 2000 were applied. Subsequently, the Netherlands adopted the PAF procedures, while maintaining its approval of annual plans and financial requests of individual districts. Under LGDP, it adhered to the Ugandan procedures, shared by all 48 districts applying LGDP, with regard to disbursement, procurement and joint mid-term and end-term review. At present, the Netherlands still maintains separate auditing, although executed in cooperation with the Ugandan Office of the Auditor-General. In sum, recent years have seen considerable progress in the harmonisation of procedures in Dutch financial aid to local governance. The harmonisation around Ugandan procedures, a distinct feature of the present operational co-ordination, has substantially decreased transaction costs for both the Netherlands and all Ugandan partners.

The parallel implementation structures in the nine districts existed up to 2000, when financial and technical support were separated. Financial support is now incorporated in the district budget, and LGDP is implemented by the Programme Management Unit in the Ministry of Local Government and by the district administrations. There are no longer any separate Dutch implementation structures in place.

Because of these changes, RNE staff experienced considerable timesaving in direct programme management. No longer do they need to approve annual plans and budgets, process quarterly financial requests for disbursements, or react to delays in reporting. All the Ugandan partners, however, perceive a major increase in management time. The management and monitoring tasks of the central government in LGDP have expanded, both on the part of the Ministry of Local Government and the Ministry of Finance, Planning and Economic Development. For the district administrations and below, stakeholders expected more time for reporting and slower financial transactions under the new system, which all tends to increase management time. Most stakeholders were quite negative about the timeliness and smoothness of the process of introducing the changes. Thus, transaction costs due to own management structures grew for all Ugandan partners under the system of operational co-ordination. A reduction of transaction costs may be expected in the future, when more donors adopt LGDP for their support, and Ugandan central and Local Government staff get used to the system. And, finally, use of the LGDP modality has the major advantage of increased Ugandan ownership of management and increased sustainability of the programme.

The time required for co-ordination actually increases transaction costs of aid delivery. RNE estimates that participation in various (sub)-group(s) requires an input of 0.6

man/year. For the MFPED and MoLG, co-ordination time has also been estimated to rise substantially.

In sum, for the Netherlands, the decrease in costs (due to pooled funding, harmonisation of procedures and less time needed in direct programme management) is outweighed by the increased time use due to co-ordination, particularly on the sectoral level.

On balance, there may have been hardly any time saving in overall aid management for Dutch assistance to decentralisation and local governance, at least not during this initial period of establishing mechanisms of operational co-ordination.

For Uganda, the increase in time, particularly due to own programme management of LGDP and increased co-ordination time, surpasses the timesavings due to pooled funding and harmonisation of procedures. Overall, increased intensity of co-ordination has led to an increase of transaction costs for Ugandan partners (for details see Annex 4, tables A4.2-A4.5).

Effects on improved programme design

Is increased intensity of co-ordination instrumental for improved programme design: more realistic provisions with respect to the increased flexibility in planning, more delegation of authority to relevant levels, an increase in transparency of financial management, more flexibility and better quality of reporting and more effective capacity building?

LGDP at present is characterised by a high degree of co-ordination intensity. At the time of the evaluation, LGDP in the nine Dutch supported districts had been operational for about one year; it is therefore rather difficult to trace in reality increased flexibility in planning, delegation of authority to relevant institutional levels, a more transparent financial management, more flexibility and better quality of reporting and more effective capacity building. Some provisions with respect to improved programme design were already included in the Dutch aid programmes for district development in the early and mid-1990s (see Annex 4, tables A4.6 and A4.7). Therefore, the evaluation allows for some general remarks only, taking into account the perceptions of various types of stakeholders:

- 1 Delegation of authority to the relevant administrative level shows a systematic improvement over time. Each consecutive Dutch programme provided for linkages with more administrative levels than its predecessor. However, in actual practice the

potential for delegation to sub-counties and local communities was often not realised, due to lack of capacity at the lower levels of administration. LGDP stimulates the funding of activities at the district and sub-county levels approved by elected councils at these respective levels.

- 2 The LGDP system facilitates careful planning and identification of activities, and offers the possibility to adjust goals and activities to changing circumstances. Moreover, the possibilities to start alliances with NGOs and other donors were appreciated positively. Aspects such as the assessment of entry conditions for districts, performance incentives and capacity grants enhance planning and facilitate an increasing role of staff of local administration to participate effectively in the planning process. The LGDP system was an obvious improvement over PAF, which was rather rigid in its regulations and procedures.
- 3 Transparency of financial management was not always in agreement with programme design, once parallel structures were ended. LGDP provides for a rather transparent financial management system, which is, however, rather unrealistic if compared with prevailing capabilities in many districts. There is an urgent need for further capacity building with regard to financial management.
- 4 Although all consecutive programmes made provisions for adequate reporting, subsequent evaluations mentioned the rigidity, and complicated and time-consuming nature of reporting systems. Here again, LGDP is less rigid and less complicated than PAF in reporting requirements. It is expected that LGDP will lead to improved reporting.
- 5 Capacity building is crucial in achieving improved programme design. Capacity building was included in the Dutch support to Northern Uganda from the beginning and gradually it included both local administration and civil society. The programmes, in particular those in West-Nile, were most successful in strengthening civil society: improving the performance of NGOs, establishing community organisations especially for women, and setting-up an umbrella NGO for continued training and management support to NGOs. In addition, the training of councillors and government staff was reflected in improved development planning. The advantage of LGDP is its multi-level capacity-building component. It links capacity-building efforts with incentives and programme performance. Although the system works well, capacity-building grants are used up too quickly and funding is still too thinly spread.

In sum, LGDP allows for a more participatory, harmonised and systematic approach in the districts supported by the Netherlands, more in line with Uganda's national system of local governance funding, with potential gains in terms of a national capacity-building strategy, and definitely more focus on and transfer of funds to lower levels of government administration (see table A4.8 in Annex 4 for stakeholder perceptions). The latter creates conditions for more involvement of lower level stakeholders in their development and for enhanced ownership. The potential advantages of the present modality still have to be realised in practice. This will require much more emphasis on the strengthening of lower levels of government administration *and* civil society organisations.

7.3 Poverty reduction and aid co-ordination

Dutch aid policy on co-ordination implicitly assumes that the co-ordination of development resources will benefit sustainable poverty reduction. The question briefly dealt with here is: did aid co-ordination benefit poverty reduction in Northern Uganda? The available information is limited, and partly contradictory. Latest household and other surveys showed that poverty had declined everywhere in Uganda, except in Northern Uganda. There it increased from 60 to 65% of the population (living below the absolute poverty line) during the 1990s. However, the household survey for Northern Uganda does not allow a breakdown of data for the Dutch-supported districts. The Participatory Poverty Assessment Project under the MFPED (MFPED, 2000) carried out for one of the Dutch-supported districts (Moyo) indicated that the increase in security was highly valued by the poor.

Evaluations at the Dutch-funded project/programme level point to a reduction of poverty, and an increase in security. These studies, referring to the period of separate projects (1992-97) with an emphasis on rural development, mention favourable results with regard to the rehabilitation of social infrastructure, people's participation in and financial contributions to this rehabilitation, increases in school enrolment and food security, and improvements in living conditions for about one-fifth of the population. They also point to the limited achievements in the promotion of income-generating activities, in general, and agricultural improvements, in particular (Mutsaers et al., 1998; Helmsing et al., 1999).

Yet, this outcome compares favourably with that of the Northern Uganda Rehabilitation Project (NURP), operating in eighteen districts. The latter project was characterised by a top-down approach, plagued by frustrating procurement procedures and implementation problems and continued insecurity (OED, 2000).

During the second phase (i.e. that of increased intensity of co-ordination during 1998-2002), the emphasis shifted to strengthening local governance through the improvement of human capabilities and, implicitly, away from rural development, in general, and the agricultural sector, in particular. The underlying assumption has been that a better functioning local governance sector will eventually lead to a reduction of poverty. The improvement of agriculture is seen primarily as the task of the private sector. Still, under the heading of local governance sector support, the Netherlands funded two agriculture-related studies. The first focused on the Plan for the Modernisation of Agriculture, and the second concerned the modernisation of agricultural extension. The latter was combined with a pilot implementation. Both studies were activities of the Agricultural sector group, in which the Netherlands also participates. Subsequently, the Netherlands provided a modest follow-up grant in support of a broad agricultural extension system NAADS. However, it is doubtful whether private sector investments will be forthcoming in Northern Uganda agriculture; at present they are discouraged by the continued insecurity.

There are no evaluation data on poverty alleviation in the nine Dutch-funded districts referring to the period of local governance support (1998-2002). However, it has been observed that specific rural anti-poverty strategies have not been designed for these districts. Moreover, there was insufficient productive investment in the agricultural sector and agricultural productivity did not increase significantly. This applies in particular to Northern Uganda (Reinikka and Collier, 2001, p. 151-3), where the potential for sustainable poverty reduction decreased, and where there was little or no reduction of poverty during the recent period (Appleton, 2001).

It may be concluded that there is no causal relationship between aid co-ordination and effectiveness of the aid programme in terms of the main objective of Dutch aid. In all probability, co-ordination of development resources in the local governance sector has not yet contributed to sustainable poverty reduction.

ANNEXES



ANNEX 1 POLICY AND OPERATIONS EVALUATION DEPARTMENT

The Policy and Operations Evaluation Department, in Dutch the Inspectie Ontwikkelings-samenwerking en Beleidsevaluatie (IOB), is responsible for conducting evaluations of the Netherlands' foreign policy.

IOB is part of the Ministry of Foreign Affairs. It is an independent unit that reports directly to the Minister of Foreign Affairs or the Minister for Development Cooperation. The Minister concerned submits IOB reports (accompanied by a letter with his/her policy reactions) to Parliament where they are discussed by the Permanent Committee on Foreign Affairs with respect to follow-up actions.

IOB was established in 1977 with a mandate that was restricted to the evaluation of aid programmes. Following the reassessment of the Netherlands' foreign policy in 1996, IOB's mandate was broadened to include other fields of foreign policy.

From 1977 to the mid 1980s, IOB's emphasis was on individual project evaluations, the status of which was then confidential. Since the mid 1980s, emphasis has shifted to comprehensive thematic studies, focusing on policies and modalities of implementation and covering sectors, themes or programmes. External independent experts participate in the various phases of the research, under the responsibility of IOB. Where relevant, institutions or experts in recipient countries are invited to participate in the fieldwork. In some cases reference groups consisting of independent experts and Ministry staff are appointed for the evaluations, to advise on the methodology, approach or subjects under review. The final reports, based on various field and desk studies, are published under the responsibility of IOB.

In addition to its own evaluations, IOB also participates in multi-partner evaluations.

ANNEX 2 ORGANISATION OF THE STUDY

1. Introduction

The IOB programme of evaluations for 1999 included an evaluation of sector co-ordination in Dutch bilateral development assistance. The IOB carried out a preparatory study in 1999 to explore the possibilities of such an evaluation and to relate it to experiences of the staff of the Ministry of Foreign Affairs (IOB, 1999a). The staff that were interviewed referred to many instances of co-ordination, and suggested criteria for cases and aspects worth further study. A review of the exercise and the subsequent choice of cases are described respectively in sections 2 and 3 of this Annex.

During the preparation of the Terms of Reference, a major issue in IOB discussions was whether co-ordination as such could be evaluated or whether it was inseparable from the dynamics of the related programme and changes in the pertinent country. It was also questioned whether, even with profound knowledge of the relevant country programme, anything more than personal opinions on co-ordination could be collected. Was it possible to design a methodology to evaluate co-ordination in such a manner that it would yield results with respect to the following questions?

- how can changes in co-ordination intensity of a programme over time be measured and what aspects of the programme were particularly relevant to examine these changes?
- how can these changes be assessed in terms of relevance?
- how can these changes be assessed in terms of their cost effects?
- how can these changes be assessed in terms of their (possible) effect on the characteristics of the country programme?

The uncertainties raised in the IOB discussions stood in the way of finalising the Terms of Reference in advance of the evaluation. Contrary to other IOB evaluations, a final ToR was neither submitted for comments to the Minister for Development cooperation, nor formally approved by the Director of IOB. Instead, it was decided to follow an exploratory process approach in the evaluation, via an Annotated Table of Contents of an Interim Report, and various subsequent draft reports. One sector case, co-ordination in support of local governance in Uganda over a longer period of time, would be finalised first: experience with this case would at best facilitate future evaluations of co-ordination. Though research questions were formulated and applied from the outset, there was room to adapt them, depending on the acquired knowledge in the course of the process. The final

research questions appear in section 4 of this Annex. The methodology followed in the process is described in section 5. The execution of the evaluation is described in detail in section 6. In the view of the evaluation team, the designed methodology is suitable to provide answers to the questions mentioned at the beginning of this section.

2. Dutch experiences with co-ordination

The preparatory study investigated whether a study of sector co-ordination was seen as useful by the Ministry staff, and what type of study they thought it should become. Though practically all interviewed persons (50) supported the idea of such a study, a number of points of caution were mentioned. They may be summarised as follows:

- 1 The envisaged study should above all add value to already existing studies: it should avoid cases that were going to or had already received attention in existing or past international or IOB evaluations. This could mean that the recently developing cases of co-ordination, particularly in relation to arising SWAPs deserved attention, along with, or even more than, longer lasting co-ordination cases.
- 2 In principle, studying the role of the Netherlands in co-ordination could provide useful lessons, in particular for the 19+3 concentration countries of bilateral assistance. On the other hand, higher levels of harmonisation would make it increasingly difficult to isolate the role of one donor in an integrated and co-ordinated process. In general, the distinction in the various levels of co-ordination and a careful description of how partners move from less to more intensive co-ordination over time was seen as informative.
- 3 For a balanced view of co-ordination, the study should look beyond the social sectors where public actors/governments play an important role. Also sectors like agriculture or rural development, with potentially important private partners and civil society, should get attention, even if the observed co-ordination intensity might be lower and the corresponding processes more difficult.
- 4 Attention to the institutional aspects of co-ordination would be useful in various respects: elements of ‘personal chemistry’ and informal contacts, but also more structural, institutional elements to make the achieved results more sustainable, and the interaction of co-ordination on varying institutional levels – macro, sectoral, provincial or district.

3. Choice of cases

The respondents were asked to formulate a number of criteria to choose cases of co-ordination for further study, and to present suggestions of such cases. A consensus emerged on account of the following five criteria:

- 1 A case should have a certain history of co-ordination to learn from.
- 2 A case should have a certain movement between levels of co-ordination, with a certain degree of institutionalisation, making the underlying process of change worth studying.
- 3 The Netherlands should be involved in the case for a certain time (either as a relatively important donor, or as a pro-active donor in co-ordination, or both).
- 4 There should be a certain number of partners participating in the case (other donors).
- 5 The government of the recipient country should be clearly involved in the case.

The suggested cases meeting the criteria where co-ordination had a longer tradition were: Bangladesh (education, health, agriculture, water), Burkina Faso (education, health, agriculture, environment), Bolivia (education), Ghana (health), Yemen (water, health), Mali (education, health, environment), Mozambique (education, health, agriculture, environment, infrastructure), Senegal (environment), Zambia (education, health, agriculture).

Qualifying examples of 'new' cases where co-ordination occurred only recently (albeit rather strongly in some cases) were: Rural development/local government reform (Tanzania, Uganda, Kenya, Mali, Burkina Faso and Bolivia), Rural development/estates (Sri Lanka), Agriculture (Ghana), Education (Ethiopia, Central America), and Forestry (Vietnam).

Both groups of cases constituted a longlist. To narrow down the longlist, additional criteria were added, based on the earlier mentioned wishes with respect to the study:

- 6 The case should belong to the concentration sectors in the 19+3 countries of Dutch bilateral aid.
- 7 The case should not be situated in a country that has been the subject of another current or recent IOB evaluation.
- 8 Chosen cases should include at least one social and one non-social sector.
- 9 The case should add value, compared with existing or envisaged studies .
- 10 The respective embassy should be in a position to accommodate the study.

On account of point 9, IOB is currently involved in a study of changes in rural poverty in the districts supported under the Netherlands' rural development/decentralisation programme in Tanzania. A study of co-ordination at the central and district level in a similar rural development programme was considered of interest. Second, the World Bank was the executive agency of a multi-partner evaluation of the Comprehensive Development Framework, IOB being one of the partners, with the focus on co-ordination predominantly from a macro level, with only limited attention paid to particular sectors. Ultimately, the rural development/local government sector in Uganda was chosen as a non-social sector, and the health sector in Zambia was chosen as a social sector. In the course of research the decision was taken to undertake and finalize a careful analysis of only one case: Ugandan.

4. Objectives and key questions

The general objective of this evaluation was 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.

The following key questions guided the evaluation:

How did Dutch development cooperation policies for co-ordination evolve in the wider context of international developments in this field?

Areas of attention are the changing views on co-ordination in international forums, the main mechanisms for and agencies involved in co-ordination, and the main characteristics of Dutch development aid policy for co-ordination in general.

How did policies and institutions for the co-ordination of development resources in Uganda evolve?

Areas of attention are the country's overall development policy, partnerships for development, co-ordination policies, the role of relevant institutions, and the activities undertaken at the national, sectoral and district levels.

What are the characteristics of Dutch aid for strengthening local governance in Uganda and what were the main achievements of this programme?

Areas of attention are the dynamics of the programme over time in terms of objectives, inputs and activities, and the development outputs and outcomes that were achieved.

How did the Netherlands participate in co-ordination activities in its aid programme for local governance and what were the results?

Areas of attention are co-ordination activities undertaken by the Netherlands, participation in co-ordination mechanisms, the relationship with relevant partners on various administrative levels, co-ordination results and degree of co-ordination intensity achieved in the Dutch programme and in the local governance sector, and the related factors of influence.

To what extent were the co-ordination activities and results in line with Ugandan and Dutch policies?

Areas of attention are the relevance of activities and of the achieved co-ordination intensity, alignment with Ugandan and Dutch policies, organisation and management of activities, use of inputs and instruments in pursuit of the set co-ordination objectives.

How effective were the co-ordination activities in terms of transaction costs and improved programme design?

Areas of attention include the relation between the achieved intensity of co-ordination and transaction costs of Dutch aid delivery for the Netherlands and Uganda (achieved harmonisation of procedures), and the relation between achieved intensity of co-ordination and selected aspects of the design of Dutch support.

5. Methodology and scope

(for the definitions and criteria used, see section 2.3, p.11, of the main report)

For the study, the following steps were carried out.

1 Backgrounds analysis

- *Review of recent international and Netherlands policy documents.* To complement the policy analysis carried out for the preparatory study, recent developments in international and Dutch policies on co-ordination were analysed. Also considered were Dutch policies on rural development, local governance and decentralisation, and their co-ordination aspects.
- *Review of policy documents, (evaluation) studies and secondary literature on developments in Uganda.* The developments in Uganda, both in terms of changed macroeconomic and poverty conditions, of policies and institutions for co-ordination, overall and with respect to developments in the rural sector and in local governance, especially after 1997, were studied.

II. Reconstruction of intervention logic in co-ordination

- *Reconstruction of the intervention logic of co-ordination.* To obtain this reconstruction, if possible in terms of logframe levels, a workshop with the staff of the Royal Netherlands Embassy (RNE) in Kampala was organised. Perceptions of the RNE staff of ultimate goals and intermediary results of co-ordination, and of activities and inputs in co-ordination related to Dutch support of RD/LG sector, were discussed, for two points of time.
- *Verification of the reconstructions.* For the early years of the programme, the reconstruction, obtained in the workshop, was submitted for verification and comments to persons who had been in charge of the programme in its early period.
- *Elaboration of full tables.* To compile full tables of the intervention logic for the beginning and the end of the period, the information of the Kampala workshop and additional verification were combined with the indicators of achievement, sources of information and assumptions implicit in the interventions. (See Annex 4, table A4.1 for the 2000 table)

III Analysis of developments and changes in the programmes under consideration based on the following information:

- A detailed review of relevant programmes documentation was carried out by the evaluation team in Kampala and the Netherlands.
- Interviews with key informants in Kampala and in the Netherlands. To carry out these interviews, the following (groups) of key informants were approached:
 - a) present and past staff of the RNE (counsellor, technical experts, administrator),
 - b) staff involved in past programme implementation,
 - c) Ugandan organisations, such as relevant staff of a number of Ugandan Ministries, Bank of Uganda, Local Government Finance Commission, Ugandan Local Authorities Association and other bodies, NGOs,
 - d) donor agencies, including the World Bank and UNDP offices in Kampala, bilateral donors' representatives,
 - e) experts in the field of rural development, public finance and decentralization in Uganda.
- Interviews with key informants in the districts. The Dutch supported districts Lira, Soroti, Arua, Moyo and Adjumani were visited for interviews with
 - a) the district authorities,
 - b) Dutch-supported staff presently involved in the programme (TA experts),
 - c) NGOs in the districts.

- *Target group questionnaire.* An inquiry was held in the Dutch-supported districts among those who are or have been related to Dutch development programmes and subsequent basket funding: district officers, Chairs of the District Councils, Dutch TA staff and selected NGOs. The questionnaire sounded out perceptions on recent changes occurring partly due to Dutch efforts in co-ordination. Perceptions were collected on how the changes affected the effectiveness and efficiency-aspects of the assistance (see Annex 4, table A4.8).

IV *Analysis and interpretation of achieved co-ordination intensity of the Dutch support and of present programmes in the local governance sector, on the basis of information obtained.*

- *Co-ordination activities, results and achieved degree of co-ordination intensity in the Dutch programmes.* Co-ordination activities and their results on national/sectoral level and on the district level, for two periods of Dutch support, were analysed and the achieved degree of co-ordination intensity specified. Also considered were the underlying factors of influence.
- *Present situation in aid co-ordination in local governance programmes.* Co-ordination aspects and degree of co-ordination intensity of major current programmes in the local governance sector were analysed, with special attention paid to the World Bank programme NUSAF. The underlying factors of influence were considered.
- *Analysis of the position of Uganda.* The Ugandan position in policy and strategy formulation, in the harmonisation of procedures and in the management of programmes was analysed for various administrative levels. Also, Uganda's role in the co-ordination institutions was examined.

VI. *Assessment of co-ordination.*

- *Assessment of relevance of co-ordination.* Co-ordination activities, results and achieved intensity of co-ordination in the Dutch programme were assessed by Dutch policy on co-ordination and by related Ugandan policy. The operation of the Dutch embassy in co-ordination institutions was assessed with reference to reconstructed logic of intervention.
- *Assessment of effects of co-ordination on transaction costs of aid delivery.* Perceived time savings and time increases related to funding modality, harmonisation of procedures, management modality and participation in co-ordination institutions, for Dutch-supported programmes with differing co-ordination intensity were compared (Annex 4, tables A4.2-A4.5).

- *Assessment of effects of co-ordination on improved programme design.* Provisions for flexibility of planning, delegation of responsibility to relevant administrative levels, incorporation of capacity building, transparency of financial management and rigidity of reporting formats, and their (perceived) realism, were compared for Dutch programmes with varying intensity of co-ordination (Annex 4, tables A4.6-A4.7).

The study focused on co-ordination activities that were developed in relation to Dutch interventions in the local governance sector in Uganda in the period 1991-2001. Until 1998, Dutch aid was provided in the form of rural development programmes to two non-adjacent regions in Northern Uganda, consisting at present of nine districts (West-Nile region, including districts Arua, Moyo, Nebbi, Adjumani, Yumbe; and Teso/Lango sub-regions, covering districts Lira, Soroti, Katakwi, Kaberamaido). After 1999, Dutch support was labelled support to the local governance sector.

Expenditure in projects and programmes whose co-ordination aspects have been assessed, totalled US \$43.1 million in the period 1991-2001. That constitutes about one-third of total bilateral Dutch aid expenditure on Uganda's sectors during the period.

6. Execution of the evaluation

The evaluation was carried out by inspector Marie Hulsman-Vejsová, and Dr. Dirk Bol, CDP, an independent consultant. Marie Hulsman-Vejsová and Dr. Jan Sterkenburg, an independent consultant, drafted the final evaluation report.

Experts at various levels have served as advisors:

- Two IOB referees (Alex Bartelink, Ted Kliest) on methodology, annotated Table of Contents of the interim report, the interim and the draft reports
- Full IOB staff on September 2002 and March 2003 draft reports
- Four external experts (in alphabetical order): Ir. Ben van Baren, an independent consultant, Amsterdam; Mr. John Eriksson, OED, World Bank, Washington; Professor Des Gasper, Institute of Social Studies, The Hague; Mr. Emmanuel Tumusiime-Mutebile, Governor, Bank of Uganda, Kampala
- The Uganda country desk in the Netherlands' Ministry of Foreign Affairs, and a number of reference persons in the Ministry on, respectively, rural development, decentralisation and co-ordination and sector-wide approaches
- The RNE Kampala staff, which kindly accommodated various visits of the evaluation team and stood open for in-depth discussions and interviews, and which provided valuable comments on various draft reports

Chronologically, the following activities were carried out:

September/November 2000, study of policy documents and past evaluations

November/December 2000, two junior researchers, Ms. Jobien Peters and Ms. Merieke

Woning prepared summaries of relevant programme files. Ms. Jobien Peters visited Kampala in February 2001 to follow the file study there.

February 2001, the workshop to reconstruct intervention logic of co-ordination took place with the embassy staff in Kampala. Rob van den Berg, Director IOB, Marie Hulsman-Vejsová, consultant Dirk Bol and Jobien Peters attended the workshop. Mr. Henk van Loo, of MDF led the workshop as external facilitator.

The Uganda visit was also used for interviews with key persons in Kampala and in the Lira/Soroti districts.

In the period March/November 2001, the following activities were carried out:

- Verification of the intervention logic and its full elaboration into Logical Frameworks,
- Detailed file/documents/literature study both in the Netherlands, and during a short visit of Dirk Bol in Kampala
- Key interviews in the Netherlands
- Preparation of the questionnaire
- Preparation and discussions of the Annotated Table of Contents of the interim report
- Preparation of the interim report

December 2001

- Presentation of the interim report
- Discussion of the interim report with the IOB referees and the IOB Director

January 2002

- Second visit to Uganda in January 2002 (M. Hulsman-Vejsová, D. Bol). Interviews in Kampala and in West-Nile districts (Arua, Moyo, Adjumani) – the questionnaire inquiry completed

February/August 2002

- Elaboration of the inquiry
- Final key interviews and file study in the Netherlands
- Preparation of the next version of the draft report

September 2002/ October 2002

- The draft report discussed with the IOB referees
- The draft report submitted for comments to external advisors, the RNE Kampala, and the reference persons from the Netherlands' Ministry of Foreign Affairs; incorporation of the comments
- The adapted draft discussed in IOB staff

November 2002/March 2003

- Elaboration of the assessments parts of the evaluation and preparation of final draft (M. Hulsman-Vejsová, J. Sterkenburg)

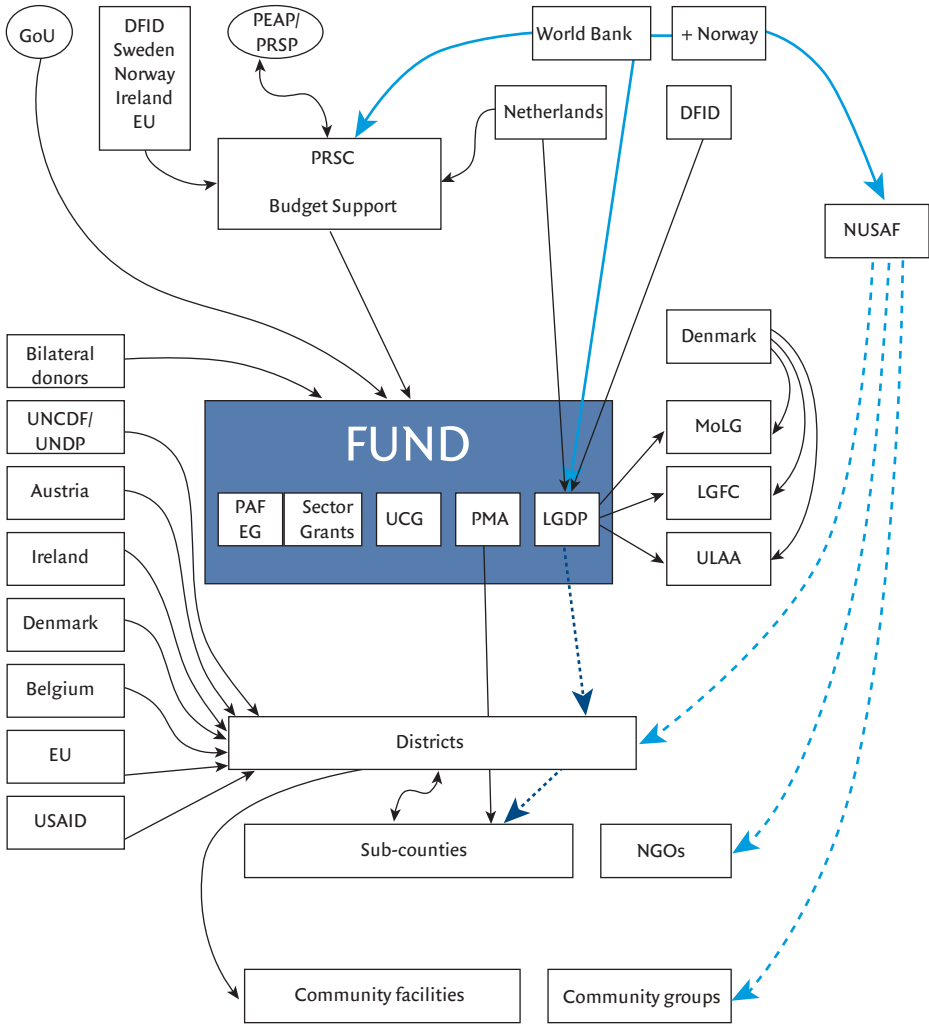
ANNEX 3 SELECTED ILLUSTRATIONS OF CO-ORDINATION

Table A3.1 Consultation forums and groups, Kampala, February 2001

Forum/Group	Leading Agency	Meeting Frequency/ Participants
Budget meetings <ul style="list-style-type: none"> • Medium -Term Expenditure Framework • Sector groups • Public Expenditure Review • Annual Budget 	Ministry of Finance, Planning and Economic Development (MFPED)	Budget cycle timetable
Poverty Reduction Strategy Paper	MFPED	
Poverty Action Fund	MFPED	Quarterly meeting Government donors
Public Service	Ministry of Public Service (MoPS)	Annual review Quarterly PRSP meeting Government donors
Corruption	Ethics group	Quarterly meeting Government donors
Education	Ministry of Education and Sports (MoES)	Six monthly review Bimonthly meeting Working groups/ task forces Government donors
	United Kingdom	Bimonthly donor meeting
Health	Ministry of Health (MoH)	Monthly meeting Government donors
Local Government	Ministry of Local Government (MoLG)	Monthly meeting Government donors
Legal Sector	Ministry of Justice (MoJ)	Monthly meeting Annual review Government donors
Agriculture	Ministry of Agriculture (MoA)	Monthly meeting Government donors
Water & Sanitation	Ministry of Water, Lands and Environment (MoWLE)	Monthly meeting Government donors
Environment	MoWLE	Monthly meeting Government donors
Local donors meeting <ul style="list-style-type: none"> • Sub-group legal sector • Sub-group private sector • Sub-group decentralisation • Sub-group social sector 	World Bank Denmark United States/Austria Ireland (United Kingdom at present) UNICEF	Monthly meeting Monthly meeting Monthly meeting Monthly meeting Monthly meeting
EU – Heads of Mission		
Post Referendum Group <ul style="list-style-type: none"> • Political • Technical 	Denmark United Kingdom	
Northern Uganda	EU/Prime Ministers Office	

Source: RNE Kampala, February 2001

Figure 2 Overview of support in the field of fiscal decentralisation



Source: Steffensen, J. et al., 2001

Key to figure 2:

- The top section of figure 2 illustrates the resource base of the budget, relevant for Local Government/Fiscal Decentralization sector; Poverty Reduction Support Credit, provided by the World Bank in line with national development strategy implementation (PEAP/PRSP link); unearmarked general budget support by bilateral donors (DFID, Sweden, Norway, EU, Ireland, Netherlands); LGDP support (World Bank, DFID, Netherlands).
- The resource base provides budget-related funds to be transferred to Local Governments (LG), i.e. districts and sub-counties: the area called FUND. Government of Uganda (GoU) supports FUND from its own revenue (downward-sloping arrow left).
- That part of funds is also fed by bilateral donors (box and arrow under the sloping one), for example, by their earmarked contributions to sector budgets (e.g. education SWAP), part of which also descends to LG.
- From the FUND, four type of transfers are made to LG:
 - 1 Transfers under Poverty Action Fund and Sector grants (SWAP and other sector grants, if not included in PAF). Both PAF and Sector grants are conditional grants, i.e. they are allocated ceilings, which are disbursed if conditions are met. Equalisation Grants (EG) are unconditional disbursements to poor areas. Conditional grants under PAF and under Sector grants, and Equalisation grants are for large part for recurrent expenditure.
 - 2 Unconditional grants (UCG) for salaries and overhead to district administrations.
 - 3 Grants under the Plan to Modernize Agriculture (PMA) (long straight arrow) are passed directly to the sub-counties. These grants are investments grants.
 - 4 Grants under the Local Government Development Programme are investment grants. LGDP grants have certain access criteria, but can be spent at the discretion of local legislations, and are unconditional in that sense.
- From the LGDP, also a number of central bodies in the local governance sector are supported: Ministry of Local Government (MoLG), Local Government Finance Commission (LGFC), and Uganda Local Authorities Association (ULAA). DFID is responsible for this part of LGDP support. The central local governance bodies are also supported directly (off-budget) by Denmark.
- District authorities receive direct support, outside the national budget, from bilateral and multilateral donors (left-hand boxes, solid arrows to districts), UNCDF/UNDP,

Austria, Ireland, Denmark and Belgium. This support enters the respective district budgets. This was the former situation for the Netherlands.

- Communities in districts receive funds from two donors, EU and USAID, which do not enter the district budgets. This support has its own-parallel-structures (dotted arrows).
- Districts themselves pass funding to sub-counties, from LGDP, and from other grants (for LGDP, 65% of the grants have to pass to sub-counties; for other grants, an estimated 30% of grants descend to sub-counties)
- Districts fund community facilities from their budgets (hooked arrow).
- Sub-counties pass part of local tax revenue to districts (two-way arrow from sub-counties to districts). The districts themselves have to co-finance their budgets under LGDP through a 10% co-financing condition.

Figure 2 illustrates that the World Bank is a ‘double signals’ source of funding. It supports LGDP through the national GoU budget. In parallel, it funds the Northern Uganda Social Action Fund (right-hand dotted lines), which supports districts, NGOs and community groups outside of national and district budgets. The entry conditions of NUSAF are less strict than those of LGDP (thus potentially undermining LGDP discipline), and the NUSAF funding is ample. To combat poverty in the North through extra funding is not controversial, the conflicting mechanisms of LGDP and NUSAF are.

Figure 2 makes clear that the Netherlands in 2001 was the only bilateral donor funding districts through the LGDP system, although other bilateral donors also used LGDP to fund central authorities.

The following Table A3.2 approximates the situation of Figure 2 using definitions of chapter 2.

Table A3.2 Co-ordination aspects of programmes in local governance sector: 1998-2001

Programme type ↓	Administrative level →	National / Sectoral level			District level		Achieved degree of co-ordination intensity
	focus →	Policy and strategy dialogue	Technical aspects of programme design	Financing of programmes	Attuning/ Planning of programmes	Implementation of programmes	
Direct Support LG budgets	achieved co-ordination results between partners	agreement	agreement; attuning to LGDP	separate	agreement; attuning to LGDP	separate	Strategic co-ordination
Support via parallel structures (NUSAF etc.)		agreement on policy; understanding on strategy	understanding; institutions set up	separate	understanding; institutions set up	separate	Information sharing
Support LG via LGDP		agreement	contract	pooled	agreement	joint	Operational co-ordination

ANNEX 4 TABLES WITH EVALUATION RESULTS

1. Reconstruction of intervention logic

Table A4.1 contains an elaboration of an exercise carried out with the staff of the Royal Netherlands' Embassy in Kampala, in January 2001.

In that exercise, the logic of intervention in co-ordination was reconstructed for 1992 and 2000, using the LF levels. Envisaged goals, results, activities and inputs were discussed. As the discussions were particularly informative for the year 2000, only the elaboration for 2000 is given.

The results of the discussions appear in the most left-hand column of Table A2.1. The discussions also included possible indicators of achievement, and indeed the achievements themselves. That part of information is incorporated in the second column of the table, in bold print.

The reconstruction was complemented with indicators of achievement additional to those suggested by the RNE staff, with sources of information and implicit assumptions of the intervention logic. This elaboration was taken into account when assessing developments and relevance of the Dutch programme.

Using LF approach for this reconstruction, co-ordination interventions could be discussed in a more systematic way. However, the approach in this case was used in retrospect, while it is designed for planning purposes (future). Making a reconstruction for the past in a participative way, a bias may have occurred: only such plans might have been mentioned in the reconstruction, which had indeed been realized. Additional verification and elaboration was necessary, and was carried out.

Table A4.1 Intervention logic of co-ordination: 2000. Co-ordination aspects of Dutch support to local governance sector

(The Policy reconstruction column 1 drawn in a workshop with RNE Kampala, bold expressions in column 2 stated by RNE Kampala in the workshop)

<p>Policy reconstruction: Planned targets in retrospect / LF levels</p> <p>1</p>	<p>Ways to verify target realization: Indicators of achievement</p> <p>2</p>	<p>Ways to verify policy logic: Implicit assumptions</p> <p>3</p>
<p>Co-ordination goals:</p> <p>A. Synchronisation of NL financing procedures with standard procedures of GoU</p> <p>B. Support for the decentralisation processes of GoU</p> <p>C. Basket funding by donors</p>	<p>A. Share of NL support to the sector provided according to the fin. procedures of GoU</p> <p>B. Share of NL support to the sector provided in conformity with laws and rules on decentralisation and in support of the institutions of decentralisation</p> <p>C. Share of basket funding in total funding, for NL and for the donors in focus</p> <p><i>Sources of information for col. 2 and 3:</i> Programme files of the Royal Netherlands Embassy (RNE), interviews with RNE staff, interviews with GoU officials (e.g. Min.of Fin., Planning, Ec. Dev., Min. of Local Government), donors, other stakeholders, data on NL and other donors total and basket funding support</p>	<p>A. Standard financial procedures of GoU are well functioning and enhance effective use of resources</p> <p>B. Decentralisation policy of GoU fosters development and deserves support; MoLG, and local governments are gaining planning and implementation capacity to be responsible for effective services delivery and for rural development</p> <p>C. Basket funding increases effectiveness of use of donor resources</p>
<p>Co-ordination results: (corresponding to co-ordination goals)</p> <ul style="list-style-type: none"> NL funding for District Rural Development Programmes (DRDP) through regular GoU fin. channels for districts (A, B) Joint study of GoU/ Donor sub-Group on Decentralisation to improve regular GoU fin. channels for districts, Fiscal Decentralization Study (A, B) 	<ul style="list-style-type: none"> For the DRDP and PAF agreements: Preparation, signing and implementation of the agreement on DRDP and additional PAF basket funding (B.F.) For the following five documents: Preparation, finalization, content and follow-up of the documents 	<ul style="list-style-type: none"> Regular channels function well, the NL-supported districts possess capacity to adapt to the change in NL programme, to implement it in its new form Present system needs improvement and can be improved along the lines suggested by the study Joint donor position is a meaningful way of support for decentralisation

<ul style="list-style-type: none"> • Joint donor policy position on decentralisation during the 2000 Consultative Group meeting (B) • Joint Declaration of Intent on donor basket funding (C) • Joint study on the Plan for Modernisation of Agriculture (B, C) • Joint study and pilot implementation of modernisation of agricultural extension, National Agricultural Advisory Service (B, C) • Additional NL basket funding for poverty alleviation in the districts, through Poverty Action Fund (A, B, C) 	<p><i>Sources of information for col. 2 and 3:</i></p> <p>Text of the DRDP agreement, of the agreement on PAF B.F., of other five documents, reports on the process of preparation of the agreements and the documents in RNE files, interviews with the RNE staff, LG officers, NL advisors, with Ministry of Agriculture, MFPED, other donors involved in the process</p>	<ul style="list-style-type: none"> • Joint Declaration is instrumental for follow-up for joint basket funding • Modernisation of agriculture is a key element in rural development and decentralisation; PMA is a step towards a sector approach, B.F., in agric./ rur.dev. • Modernisation of agricultural extension services is a key instrument for better agriculture, SWAP, B.F., decentralisation • Additional PAF funding can be processed through regular channels and be absorbed and used for development by the districts of Uganda
<p>Co-ordination activities (leading to co-ordination results)</p> <ul style="list-style-type: none"> • Working out of changes in modalities of the DRDP (reporting, auditing etc.) • Working out of plans for future cooperation with NGOs in districts in the context of DRDP • Participation in more frequent regular meetings in Donor sub-Group on Decentralisation • Participation in meetings to prepare the Declaration of Intent on basket funding 	<ul style="list-style-type: none"> • New formats for reporting, auditing, periodical discussions, in line with standard formats of GoU • Plans on NGO: process of preparation, finalisation, content, follow-up • Number of meetings held, agenda points discussed and agreed on, continuity of issues, participants, roles, interactions, time needed to reach consensus <p><i>Sources of information for col. 2 and 3:</i></p> <p>RNE files, DRDP files, interviews with the RNE staff, stakeholders, with other donors participating in the sub-Group, its Chair, minutes of the meetings, drafts/texts of the documents</p>	<ul style="list-style-type: none"> • Adaptation of procedures is possible in principle and in effect • Decentralisation process of GoU is more effective with NGO district participation • Taking active part in the sub-Group meetings is instrumental for reaching the stated results and goals (B) • Consensus for the content and the wording of the Declaration of Intent can only be reached through formal meetings
<p>Inputs (in co-ordination activities)</p> <ul style="list-style-type: none"> • Manpower made available by RNE 	<ul style="list-style-type: none"> • Estimate given by RNE on year basis (0-6 manyears) <p><i>Sources of information for col. 2 and 3:</i></p> <p>Check with other RNE staff members, checks with other donors</p>	<ul style="list-style-type: none"> • Co-ordination activities are labour intensive and are given sufficient input of staff time

2. Harmonisation of procedures

Harmonisation of procedures within the Dutch programme increased over time. Originally, CAP I and II, and Lira/Soroti DRDPs, both had their own procedures. In 1999, these separate programmes were brought into one direct district budgetary support programme. Over time, the Netherlands increasingly adopted Ugandan procedures for its districts: procurement regulations of the Government Financial and Accounting Regulations of 1998 and later the Local Government Tender Regulations of 2000. Subsequently, the Netherlands adopted the PAF procedures, while maintaining its approval of annual plans and financial requests of individual districts. Under LGDP, it adhered to the Ugandan procedures, shared by all 44 districts applying LGDP, with regard to disbursement, procurement and joint mid-term and end-term review. At present, the Netherlands still maintains separate auditing, although executed in cooperation with the Ugandan Office of the Auditor General. In sum, there has been considerable progress in the harmonisation of procedures in Dutch financial aid to local governance in recent years.

This does not apply to the Technical Assistance support programme, which still has its own procedures.

Table A4.2 gives an overview of these developments

Table A4.2 Harmonisation of procedures in Dutch support to local governance: 1991-2001

Type of procedure programme ↓	→	Procedures			
		disbursement	procurement	review	auditing
		Number of districts for which the procedure applied			
Community Action Programme I 1992-1996	Number of districts for which the procedure applied	3 (= all Dutch- supported districts in West-Nile)	3	3	3
Community Action Programme II 1997-1999		4 ¹ (= all Dutch- supported districts in West-Nile)	4	4	4
Lira/Soroti District Rural Development Programme 1996-1999		2 (= all Dutch- supported districts in Lira/Soroti)	2	2	2
Direct Support District Budgets 1999-2000		4 + 3 ² (= all Dutch- supported districts in West-Nile and Lira/Soroti)	55 All Ugandan districts	4 + 3	4 + 3
Support LG via PAF 2000-2001		55 All Ugandan districts; Dutch procedures attached for 9 Dutch-supported districts	55 All Ugandan districts	55 All Ugandan districts	55 All Ugandan districts; Dutch procedures attached for 9 Dutch-supported districts
Support LG via LGDP 2001-2003		44 LGDP-applying districts; little extra procedures for 9 Dutch- supported d.	55 All Ugandan districts	44 LGDP	44 LGDP; little extra procedures for 9 Dutch-supported districts
Technical assistance LG 1999-2003		Dutch procedures applied for 9 Dutch- supported districts	9	9	9

1 4 and ultimately 5 districts due to splitting up of the original 3 districts in West-Nile

2 3 and ultimately 4 districts due to splitting up of districts Lira and Soroti

3. Transaction costs of aid delivery

Transaction costs of aid delivery in the Dutch programme were measured on the basis of indicators pertaining to direct programmes' management (time) and to co-ordination (time). The former were financing modality, harmonisation and origin of procedures, and management modality; the latter was participation in co-ordination institutions. The costs were estimated for Uganda and for the Netherlands on the basis of stakeholders' views, collected in interviews and the inquiry.

Table A4.3 specifies distinguished values of indicators.

Table A4.4 shows the values of the indicators in the Dutch local governance programmes over time, under differing intensities of co-ordination.

Table A4.5 broadly indicates the change in transaction costs (change in time) by contrasting pooled funding (LGDP) with the situation of separate programme funding (CAP I and II, Lira/Soroti), for the Netherlands and Uganda. Estimates of broad time changes are based on stakeholders' views.

Table A4.3 Indicators of transaction costs of aid delivery: distinguished values of indicators

Indicators of transaction costs of aid delivery		Distinguished values of indicators
Pertaining to: ↓		
Direct programme management (time) →	Financial modality	Separate funding NL (and partners) Pooled funding NL + partners
	Procedures: harmonisation/origin	Differing/NL Differing/NL + U Harmonised/NL + U Harmonised/U
	Management modality	Formal parallel NL structure Informal parallel NL structure No parallel NL structure/ U structure
Co-ordination (time) →	Participation in co-ordination institutions	Sector institutions absent Sector institutions existing District institutions absent District institutions existing

Table A4.4 Selected aspects of Dutch local governance support programmes with differing intensity of co-ordination: 1993-2001

Type of indicator → Programme ↓	Aspects of Dutch aid programmes					Achieved degree of co-ordination intensity
	Financing modality	Procedures Harmonisation/ Origin	Management modality	Co-ord. Institution sector	Co-ord. Institution district	
Community Action Programme I 1993-1996	Separate NL funding	Differing NL	Formal parallel NL structure	Absent	Absent	Information sharing
Community Action Programme II 1997-1999	Separate NL funding	Differing NL	Formal parallel NL structure	Absent	Existing	Information sharing
Lira/Soroti District Rural Development Programme 1996-1999	Separate NL funding	Differing NL + U	Informal parallel NL structure	Absent	Existing	Information sharing
Direct Support District Budgets 1999-2000	Separate NL funding	Harmonised NL + U	Informal parallel NL structure	Existing	Existing	Strategic co-ordination
Support LG via PAF 2000-2001	(quasi) Pooled funding	Harmonised U + NL	No parallel NL structure	Existing	Existing	Operational co-ordination
Support LG via LGDP 2001-2003	Pooled funding	Harmonised U	No parallel NL structure	Existing	Existing	Operational co-ordination

Table A4.5 Change in transaction costs of aid delivery: comparison of pooled funding situation (LGDP) with separate programme funding situation (CAP I, CAP II, Lira/Soroti)

Indicators of transaction costs of aid delivery	Estimated change in time per indicator, under pooled funding (LGDP) as compared to the situation under separate programme funding (CAP I, CAP II, Lira/Soroti programmes) ↑ = time increase, ↓ = time saving	
	Netherlands	Uganda
Financial modality	↓	↓
Procedures: harmonisation/origin	↓	↓
Management modality	↓	↑
Co-ordination time	↑	↑

5 Changes in programme design

Five aspects of programmes are used as indicators of programme design: flexibility of planning, delegation of authority to relevant administrative levels, incorporation of capacity building into programmes, transparent financial management and an adequate non-rigid reporting system. Table A4.6 shows provisions for these aspects in subsequent programmes of Dutch support, and reviews whether such provisions were realistic according to evaluations and the perceptions of stakeholders. Table A4.7 shows this for CAP I and NURP.

Table A4.6 Selected parameters of Dutch programmes in support of local governance over time

Programme → Distinguished aspect ↓	CAP Related provision made in the programme (+ = yes, - = no)	Provision applicable in reality (+ = yes, - = no, +/- = initially yes, later no -/+ = initially no, later yes)	Lira/Soroti DRDP Related provision made in the programme	Provision applicable in reality
1. flexibility of planning	Participatory planning with local communities +	Communities indeed ready and willing to co-operate, but with low capacity initially -/+	Yearly plans required +	Difficult to draw for local administrations, limited idea and capacity to plan -/+
2. delegation of authority to relevant administrative levels	No delegation of authority, own parallel structure in the region -	Except for communities there were no relevant (administrative) structures in place, but communities could be mobilized by local parallel structure +	District governments implement jointly with the programme co-ordinator, his role initially strong -/+	District government only gradually able to assume its authority, certain parallel structure in the programme developed -/+
3. integration of capacity building in the programme	Learning by doing, training of communities and local administrators provided for in the programme +	Communities willing to learn, though the costs and the time involved were considerable +	Training, technical assistance, learning by doing +	Relations between co-ordinators/TA and district authorities fruitful +
4. transparent financial management	SNV responsible for financial management, own contribution of communities +	Management by SNV was helpful to prevent mismanagement, contribution of communities accounted for, made visible +	Own NL procedures, in principle transparent to the donor +	If controlled by co-ordinator, mismanagement could be avoided -/+
5. adequate reporting procedures and monitoring	SNV responsible for reporting and monitoring +	SNV probably the only partner to be able to bear reporting requirements +	Own NL procedures for reporting +	Reports made; sometimes with delays -/+

Table A4.6 Selected parameters of Dutch programmes in support of local governance over time *Continued*

Programme → Distinguished aspect ↓	Direct/Support to LG budget		Technical assistance	
	Related provision made in the programme	Provision applicable in reality	Related provision made in the programme	Provision applicable in reality
1. flexibility of planning	Yearly plans, yearly budgets for both West-Nile and Lira/Soroti +	Districts felt themselves not ready to plan on their own –	Yearly plans, flexibility in reacting to LG needs +	Depending on TA personnel, mixed results –/+
2. delegation of authority to relevant administrative levels	Districts made responsible for implementation; few linkages to central and lower levels +/-	Districts only gradually assume authority; low capacity –	Authority not at all delegated –	For the time being reflecting reality, but for the future not desirable +/-
3. integration of capacity building in the programme	Some provisions for training, but capacity building related mainly to TA support –/+	Implementation of district plans; training and learning by doing –/+	Prominent role for capacity building, though related to support for LG functioning, gradually broader +	Support for LG functioning needed; and provided, gradually also support for NGO/CBO +
4. transparent financial management	Own NL procedures, in principle transparent to the donor +	District administrations have problems managing transparently –	Own NL procedure for financial management +	Financial management done properly +
5. adequate reporting	Own NL procedures for reporting +	District administration have problems reporting adequately –	Own NL procedures for reporting +	Reporting done properly +

Table A4.6 Selected parameters of Dutch programmes in support of local governance over time *Continued*

Programme → Distinguished aspect ↓	PAF		LGDP	
	Related provision made in the programme (+ = yes, - = no, +/-, -/+ = mixed scores)	Provision applicable in reality (+ = yes, - = no, +/- = initially yes, later no -/+ = initially no, later yes)	Related provision made in the programme	Provision applicable in reality
1. flexibility of planning	Increased resources for planning, but a large number of centrally determined ceilings (conditional grants) +/-	District administrations apply the system and get important extra funding, but coping is difficult -/+	Yearly plans/budgets, by local councils, within centrally set (PPA) margins, approved by PMU/MoLG +	System gradually improving -/+
2. delegation of authority to relevant administrative levels	Links between central and district authorities, within the system of conditional and unconditional transfers; increased possibilities for spending in districts +	The transfer system is administratively heavy and not entirely sustainable (conflicting LG and line ministry roles, some linkages neglected) -	Development spending based on local governance, still within nat. budget/ priorities; links between central, district and sub-county authorities +	Many sub-counties in need of assistance with planning; all planning too little related to budgeting/monitoring or implementation -/+
3. integration of capacity building in the programme	No explicit provision; some conditional and unconditional grants indirectly related to capacity building -/+	No clear institutional framework, but through increased funding increased possibilities -/+	Capacity-building grants, programme performance and incentives are related to each other; multi-level capacity building system +	Works well, but capacity building grants diminish too quickly, capacity funding is too thinly spread -/+
4. transparent financial management	Conditional grants increase accountability and transparency, at least in theory; additional NL procedures attached +	Financial management in practice complicated, time consuming and not transparent; many separate accounts -	Provisions are simplified, more visible responsibilities and accountability; limited NL procedures attached +	By and large reasonable application in reality; increased experienced transparency -/+
5. adequate reporting procedures and monitoring	Reporting procedures for the grant system specified; additional NL procedures attached +	Reporting procedures heavy, hard to comply with in a timely manner -	Reporting procedures simplified; limited NL procedures attached +	Though less heavy than PAF, still complaints about time-consuming reporting -/+

Table A4.7 Selected parameters of CAP and NURP

Programme → Distinguished aspect ↓	CAP Related provision made in the programme (+ = yes, - = no)	Provision applicable in reality (+ = yes, - = no, +/- = initially yes, later no -/+ = initially no, later yes)	NURP Related provision made in the programme	Provision applicable in reality
1. flexibility of planning	Participatory planning with local communities +	Communities indeed ready and willing to co-operate, but with low capacity initially -/+	Very little flexibility in planning; plans made by line ministries in Kampala -	Low capacity to plan or implement by local counterparts in districts -
2. delegation of authority to relevant administrative levels	No delegation of authority; own parallel structure in the region -	Except for communities there were no relevant (administrative) structures in place, but communities could be mobilised by local parallel structure +	No delegation of authority; management by mission from Kampala -	Management by mission in face of large distances, unrest and lack of structures would meet with difficulties -
3. integration of capacity building in the programme	Learning by doing, training of communities and local administrators provided for in the programme +	Communities willing to learn, though the costs and the time involved considerable +	Certain capacity-building provision made (teacher training) +	Teacher training was needed and possible +
4. transparent financial management	SNV responsible for financial management, some funds from OPM, own contribution of communities +	Management by SNV is helpful to prevent mismanagement; contribution of communities accounted for, made visible +	Financial and tendering procedures specified +	Procedures cumbersome in the real situation, danger of corruption and embezzlement shown to be real -
5. adequate reporting procedures and monitoring	SNV responsible for reporting and monitoring +	SNV probably the only partner to be able to bear reporting requirements +	No clear provisions, missions reports -	Reporting would probably be professional, but would be based on short mission visits +/_

6 Perceptions of stakeholders

An inquiry was held among the persons in the nine Dutch supported districts who are or have been related to the District Rural Development Programmes and the consecutive programmes of local governance support.

The target group included

- Persons providing management, organisational and financial advice to the districts under the current TA programme; some of them used to be DRDP co-ordinators;
- Persons from the District Administrations – Chief Administrative Officers and District Planners
- The District Council Chairmen
- Selected members of the NGO community.

The aim was to obtain perceptions of the relative importance of recent changes and perceptions of how these changes affected a number of factors related to efficiency and effectiveness of development (IOB, 1996, 1999; Van Baren, 2001).

The inquiry was carried out in two ways. First, the forms were completed during personal interviews with the advisors, District Officers and NGO representatives of the West-Nile region during a visit in January 2002. Ten forms were filled in, six of which completely. Second, advisors and District Officers of the Lango and Teso sub-regions completed their forms, yielding eight written forms. The total number of respondents taken into account is 14, while the target population was about 30. The evaluation team, assisted by an external advisor, had compiled the following

Inquiry questions.

- 1 What changes since 1999 do you regard as most important?
- 2 What broad effects did these changes have, in your opinion?
- 3 How did past changes affect a number of factors, in your opinion?

These factors were related to efficiency (reporting time, transparency of management, speed of financial transfers, prevention of corruption, timeliness of changes, their smooth introduction), and to effectiveness (attention for planning, possibility of adjusting plans and contracts, focus on lower institutional levels of LG, possibilities of starting alliances with other donors/NGOs, capacity building in planning and management).

The results have to be interpreted with caution because of the limited number of respondents. However, the respondents were relevant for the Dutch programme.

37 answers (up to three per respondent) were obtained on the first question. The two most important responses (12 answers) were the increase in local governance through increased local influence on decision-making, and the change in Dutch support to pooled funding. There were negative reservations on both accounts, but the majority of respon-

dents were positive. From the 33 responses to the second question, increased accountability and responsibility and shift to poverty expenditure under PAF/LGDP were mentioned most (11 answers). Responses to the third question are given in table A3.8 below.

Table A4.8 Stakeholder perceptions on the effects of changes in Dutch support to local governance

Answers to Question 3 of the questionnaire: Dutch funding is now channeled through the central government transfer mechanisms. LG authorities have the sole decision power over spending. NL advisors have advisory roles only. How do you perceive the effects of the following changes:

	Number of respondents who regarded change as:			
	positive	neutral	negative	no answer
<i>What effect do past changes have on the following selected parameters of effectiveness</i>				
planning and identification of new development activities	10	1	2	1
possibilities to adjust plans and contracts underway	8	2	1	3
focus on lower institutional levels of LG	11	1	1	1
possibilities to start alliances with other donors/NGOs	9	1	2	2
capacity building in planning and management of LG	8	0	4	1
<i>What effect do past changes have on the following selected parameters of efficiency</i>				
less time needed for reporting	3	3	6	2
more transparency of management	11	1	2	0
financial transfers work more quickly	3	3	7	1
corruption prevention	9	3	2	0
<i>How was the process of change</i>				
have the changes been timely	4	3	6	1
have they been carried out smoothly	4	2	7	1

Total number of respondents 14

Table A4.8 shows that (even taking into account the small number of respondents) some perceptions are more pronounced than others.

- Respondents valued positively increased focus on lower institutional levels,
- they perceived the new system as more transparent and
- they perceived positively increased attention to planning in the new system.

On the whole, they perceived the influence on effectiveness-related factors as more positive than that on efficiency-related factors. Respondents were quite negative on the timeliness and smoothness of changes and they feared slow financial transfers.

More transparency in management was not perceived to be completely synonymous with corruption prevention.

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ANNEX 6 EXCHANGE RATES

Table A6.1 Exchange rates used

	1 US \$ = NLG	1 US \$ = EUR	1 US \$ = Uganda Shilling
1996	1.69		1046.08
1997	1.94		1083.01
1998	1.97		1362.69
1999	2.06	.94	1506.04
2000	2.38	1.08	1766.68
2001	2.46	1.12	1727.40
1 EUR = 2.20 NLG			

Source: UN Monthly Bulletin of Statistics, June 2002, United Nations, New York.

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