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DANISH ASSISTANCE TO UGANDA 1987-2005



evaluation summary

2006.06

When the National Resistance Movement (NRM), led by Yoweri Museveni, took power in Uganda in 1986 and ended years of brutality and strife, Denmark was among the first donors to return to Uganda, which has remained among the top 5 recipients of Danish bilateral aid ever since. This is an evaluation of the entirety of Danish aid to Uganda from 1987 to 2005 amounting to more than DKK 5 billion.

The evaluation took place in 2006 and is based on a thorough review of available documentation, supplemented by interviews with a range of those involved with the Danida programme. The evaluation was commissioned by Danida's Evaluation Department and Uganda's Office of the Prime Minister, and carried out by UK-based Mokoro Ltd., led by Stephen Lister.

Overall conclusions

Uganda's political and economic development over the past two decades is impressive. Without the aid that it received, Uganda's economic growth would certainly have been slower, its political stability might also have been threatened, and more people would have been left in poverty. There are legitimate concerns about Uganda's aid dependency, but aid has not been able to "buy" politics in Uganda.

Danish aid to Uganda has generally been of high quality, and Denmark's contribution to Uganda's progress is rightly valued. Only a very unambitious aid programme could be without blemish, and it is notable that the Danish aid programme has not sought easy options: it has chosen some difficult sectors and components like agriculture and governance. It has sought to work in the more deprived and difficult environments of Uganda, and it has sought to innovate. Denmark has also been remarkably consistent in staying engaged for the most part in the same sectors and with the same partners for very long periods.

However, Danish concerns about accountability and the need for distinct visibility of Danish aid has made Denmark overly cautious about disbursing through government systems and providing budget support.

Uganda: A turbulent history

At independence in 1962 the future of Uganda looked brighter than that of most other African countries. Uganda had a relatively well educated population, a relatively well developed infrastructure and fertile land. But Uganda has proven an exceptionally difficult country to hold together, and both the years of Idi Amin's dictatorship from 1971 and the "Obote II" era which followed were marked by brutality and strife resulting in the almost total collapse of the economy and the infrastructure. So, when the National Resistance Movement, led by the charismatic Yoweri Museveni, took power in 1986, its commitment to national unity and development was widely welcomed by the Ugandan public and the international community.

And there *has* been substantial political and economic progress. The new regime has had a much better human rights record than its predecessors, and it has brought peace to most of, but not all of Uganda: Conflict has continued in the north of the country, and Uganda's direct involvement in the conflict in the Democratic Republic of the Congo has also tarnished Uganda's image.

On the positive side, a new constitution was adopted, paving the way for the most radical decentralisation process seen in any African country. But on the negative side, Museveni's clinging to power and long time reluctance to allow political parties have caused concern among Ugandans and donors that Uganda has become a de facto one-party state with highly personalised presidential power. Uganda has come to appear like other patrimonial states with high levels of corruption and the use of public resources to buy support.

Poverty remains despite economic growth

Uganda boasts one of the strongest growth records in Africa, but a good deal of the growth can be explained by the restoration of the pre-Amin levels of economic activity and by the direct impact of aid.

The growth has led to a substantial reduction in poverty, but due to a rapid population growth the number of Ugandans living below the poverty line has actually risen. Furthermore, reductions in poverty have been regionally unbalanced, with improvements concentrated in the centre and west of the country, and a much less impressive performance in the north and east.

After 1997, economic growth slowed, inequality began to rise and poverty in the north increased. Despite its successes, Uganda is still among the world's poorest countries, and the foundation for longer-term sustainable economic growth remains fragile.

A test bed for aid innovation

The new NRM Government soon showed a strong political will to fight poverty, achieve macro-economic stability and take ownership of national development. From the early 1990s, economic and fiscal discipline under a strong ministry of planning and finance enabled the dialogue between government and its aid partners to move on from the donor community's then overriding concern about structural adjustment to a more detailed consideration of a development strategy based on the Ugandan reality.

Uganda became a pioneer of many innovations in aid management. The government developed its own Poverty Eradication Action Plan (PEAP) even before more or less donor-driven poverty reduction strategy papers were introduced and became *the* tool in most developing countries. The PEAP provided a national policy framework with which donors could align, and the government was prepared to involve donors closely in public expenditure reviews and in the formulation and management of sector-wide approaches in key sectors.

Uganda became the first country – in 1998 – to benefit from debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and established a Poverty Action Fund. The fund channelled the money saved through debt relief to pro-poor expenditure priorities and encouraged donors to do the same. This led to a surge in funding of basic public services delivered through the new local government structure.

There were corresponding changes in the way aid was delivered. Balance of payments support for structural adjustment was succeeded by debt relief and, after HIPC, by increasing use of general and sector budget support. Basically, this is all financial support, and though it has come under different names, the impact in Uganda is the same. Also, fragmented project support gave way to more coordi-

nated, government-led sector approaches, facilitating greater donor harmonisation and alignment.

The strong coincidence of interests between the government and donors fostered a high level of trust and collaboration. More recently, though, the relationship has deteriorated somewhat, reflecting donor concerns about issues like corruption and democratic transition. Nevertheless, there is a joint and continuing impetus towards delivering aid more effectively in line with the Paris Declaration, and in 2005 a group of bilateral and multilateral agencies adopted a Uganda Joint Assistance Strategy (UJAS).

Denmark – a generous donor

Denmark is one of the most generous OECD donors and concentrates on a limited number of programme countries and sectors within those countries. Also, Denmark has been in the forefront in the practising of new aid modalities. Denmark was an early advocate and practitioner of partnership with recipient governments and of the use of government systems so as to build capacity and promote ownership. Denmark also made early moves away from isolated projects towards programmes designed at sector level.

Danish concerns about accountability and about the need for distinct visibility of Danish aid have, however, made Denmark cautious about disbursing aid through government financial systems, and Denmark has reservations about budget support.

In Uganda, Denmark was one of the first bilateral donors to re-establish an official aid programme, which quickly grew to become one of the largest partner programmes. Total Danish aid expenditure to Uganda from 1987–2004 was DKK 5,288.5 million (roughly USD 900 million). Expenditures grew steadily until the late 1990s, but fell slightly after 2001 to an annual level of about DKK 355 million as a

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result of the change in government in Denmark and the subsequent aid review.

Denmark's share of official aid to Uganda peaked in the 1990s (over 9% in 1996). From 1994 through 2000 Denmark was the third or fourth largest donor to Uganda, but in 2004 Denmark's ranking had dropped to seven, with Denmark providing less than 5% of aid to Uganda. This decline was due more to increased aid from other donors than to the tapering off of Danish assistance.

A consistent and innovative donor

From the beginning Denmark's aid to Uganda was conceived as having three complementary elements: support to production; to social development; and to institutional development – including a strong emphasis on governance and human rights. Basic objectives have not changed, and Denmark has been remarkably consistent in staying engaged for the most part in the same sectors and with the same partners for very long periods. An innovative and 'listening' approach has been noted by many interviewed stakeholders.

The main sectors receiving Danish support were health, water and sanitation, governance – including human rights and democratisation, decentralisation and gender, agriculture and transport. Denmark provided substantial “financial support” as balance of payments support and debt relief in the period before 1998. A private sector development scheme, supporting partnerships between Uganda and Danish firms, has operated since 1996, and there have been significant flows of resources to Uganda via Danish NGOs funded from Copenhagen.

From projects to sector support

Initial interventions were often quite opportunistic, though based on the broad strategy described above. Project funding was gradually replaced by sector approaches, initially with a rather narrow focus on

Danida's own interventions, but eventually as a joint enterprise with government and other donors.

Danida deserves special credit for its support to the **health** sector, with its focus on building basic health systems and providing essential drugs, and for maintaining this focus at a time where other donors tend to focus more on specific disease programmes, especially HIV/AIDS.

Danida has shown an exceptional commitment to aid for **agriculture**, in Uganda and elsewhere, at a time when its share in aid flows has generally been falling. However, Danida has experienced the same difficulties in achieving effective interventions in favour of poor farmers that have discouraged other donors.

Roads have been the main focus of Danish support to the **transport** sector. Here, Danida pioneered the development of labour based approaches to road maintenance and supported roads management institutions at district level.

Danish support made a substantial contribution to increased access to clean **water and sanitation** and to the decentralised implementation of water projects as well as the privatisation of construction by the community.

The Danish supported Rakai District Development Programme served as a test-bed for models of **decentralisation** which were later rolled out across the country with Danida as the government's main donor partner.

Danida was one of the first agencies to become involved in issues like **human rights, democratisation, gender** and **anti-corruption work**, and it has gained a reputation for being passionate and outspoken on these controversial issues.

During the 1990s Danida provided **general budget support** in the form of balance of payments aid and debt relief. This was highly relevant and effective. In discontinuing such aid the programme missed an important opportunity.

Findings: a relevant and effective aid

The Danish aid programme was clearly **relevant** both to national recovery objectives and more specifically to poverty reduction. It was also consistently relevant in the nature of the aid offered – in providing grants, not loans, and in being prepared to finance recurrent costs. Denmark's readiness to work with a range of partners – from NGOs and civil society, as well as government – was also relevant.

Overall the programme was **effective** and **efficient** with few conspicuously inefficient components. There have been conscious efforts to make the programme more efficient by aligning it, where appropriate, with GOU systems, and by coordinating with other donors. A number of other factors, like the relaxation of tying of Danish aid and the decentralisation of Danish aid management, also had a positive influence on efficiency over time.

It is clear that the programme increasingly tended to use more **sustainable** modalities. Denmark has also sought **coherence** and **complementarity** by staying out of sectors and programmes considered adequately supported, and by participating in joint government–donor coordination mechanisms.

Lessons learnt

Experience in Uganda confirms the value of several Danida principles, which should be continued. These include: Concentration and focus, consistency and staying engaged, flexibility within the programme and avoiding rigid advance budgeting, capacity development by working with and through local systems, recognising the importance of national ownership, and avoiding the tying of aid.

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The dilemma of visibility

Danida is right to emphasise the importance of maintaining domestic support for aid. This concern has, however, led to too much focus on accountability of aid funds and to attempts to make Danish aid separately visible. This frustrates other important principles, including the use of national systems and more collaboration with other donors. The best way to maintain domestic support for aid is to ensure and demonstrate the effectiveness of aid and to attach more weight to the value of using, and strengthening, national systems of implementation, disbursement and accounting, not only for Danish aid funds, but to strengthen broad accountability for resources. This includes the use of general budget support.

Recommendations for the future

A more nuanced strategy to maximise the effectiveness of a country programme and to maintain support for it will include consider-

ing the balance between **joint** and **separate interventions**. Working through non-UJAS (and sub-UJAS) groupings will continue to be relevant, especially in pursuing governance concerns.

Both through UJAS and in its internal strategy, Danida should seek to develop more systematic **analysis of risks** and a more explicit risk mitigation strategy.

The “division of labour” exercise should go beyond a simplistic “pruning” of the number of donors in each sector, and consider explicitly the appropriate sector balance of aid modalities.

As regards the focus, Denmark’s involvement in the **health** sector should continue, and Denmark should take a continuing interest in **decentralisation**, and seek – through the Uganda Joint Assistance Strategy – to encourage moves towards greater coordination in this field.

The planning and management capacity of Danida’s **Human Rights and Good Governance Liaison Office** should be shared so as to benefit more actors in the sector.

Denmark should maintain its role in the **agriculture** sector and reinforce the Plan for Modernisation of Agriculture in specific areas like reaching poorer households and districts, and land reform issues, with special attention to women’s access to land.

Denmark should seek to influence the work programme of the **UJAS** partners, and should take a special interest in the issues of decentralisation, accountability and capacity development.

Finally, Denmark should support a joint external independent **evaluation** of the PEAP and UJAS in 2008/09.

DANIDA’S COMMENTS

Danida recognises the evaluation team’s effort in making an evaluation of the Danish development assistance to Uganda. The team has accomplished the difficult task of extracting lessons learned from almost 20 years of development cooperation; a time span within which aid modalities have changed considerably. It embraces Uganda’s recovery era during the late 1980s right up to mid 2005, where the Paris Declaration on aid effectiveness was signed in March 2005.

Danida is happy to note that the team formed a strong impression that Danish aid has generally been of high quality, and that Denmark’s contribution to Uganda’s progress is rightly valued. It is encouraging that the team finds that Danish aid has been ambitious. The Danish aid programme has not sought easy options; it has chosen some difficult sectors and components; it has sought to work in the more deprived and difficult environment of Uganda; and it has sought to innovate.

The evaluation is timely as it closes a chapter of Danish development assistance implemented within the framework of bilateral country strategies. By providing an assessment of the implementation of several bilateral country strategies, the evaluation will serve as important input to Denmark’s future role as a member of the Uganda Joint Assistance Strategy. By the end of 2006, the UJAS presents the harmonised assistance strategy of eleven development partners in support of Uganda’s own Poverty Eradication Action Plan.