REPUBLIC OF UGANDA

UGANDA PARTNERSHIP POLICY

Towards Implementing the National Development Plan

TABLE OF CONTENTS

LIST OF ACRONYMS

AIMS	Aid Information Management System
ALD	Aid Liaison Department (MoFPED)
CSO	Civil Society Organisation
DC	Development Committee
DoL	Division of Labour
DPs	Development Partners
GBS	General Budget Support
GDP	Gross Domestic Product
ICSC	Implementation Coordination Steering Committee
ICT	Information and Communication Technology
JBSF	Joint Budget Support Framework
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NGO	Non-Governmental Organisation
NPA	National Planning Authority
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PCC	Policy Coordination Committee
PEAP	Poverty Eradication Action Plan
PIU	Project Implementation Unit
PP	PP
SBS	Sector Budget Support
SWAp	Sector-Wide Approach
SWG	Sector Working Group
TICC	Technical Implementation Coordination Committee

1 RATIONALE AND OBJECTIVES OF THE POLICY

Rationale, Purpose and Objectives of the Policy

This PP (PP) sets out the guiding principles and priorities of the Government of Uganda's (hereafter called 'the Government') management of the relationship with its Development Partners (DPs) and the external assistance they provide, within the context of the National Development Plan (NDP).

1.1 Rationale

As part of its Poverty Eradication Action Plan (PEAP), the Government in 2003 outlined its "Partnership Principles," detailing policies for development cooperation. In the last decade, Uganda and most of DPs have signed international agreements to enhance the impact of aid notably as part of the Paris Declaration on Aid Effectiveness in 2005 and the Accra Agenda for Action (AAA) in 2008.

Despite these agreements many challenges remain including: strengthening of institutional capacities; increasing the alignment of development cooperation with Uganda's development strategy; harmonizing DP practices and enhancing the predictability of external assistance, as well as increasing its accountability and transparency.

In the context of the NDP, this Policy will allow the Government of Uganda to strengthen mechanisms for managing its partnerships with its DPs.

1.2 Objectives

The main objectives of this policy are to:

i. Improve the effectiveness of development cooperation through greater government ownership and leadership;
ii. Strengthen economic management by increasing flows of development assistance through the budget, and coordinating off-budget flows;
iii. Increase transparency and accountability between the Government and DPs and between the Government and its citizens in the management of development cooperation; and
iv. Accelerate progress towards policy coherence in Uganda's relationships with its development partners.

This policy applies to Uganda's relationship with all DPs, while reflecting the particular features of South-South and Civil Society Organisation (CSO) cooperation.

2 GUIDING PRINCIPLES

This section highlights the key guiding principles underlying the Policy.

2.1 Alignment

The Government aims to ensure that Development Cooperation is fully aligned to the NDP and sector strategies, while maximising the use of government systems and procedures.

2.2 Managing for Results

The Government and DPs shall improve their policies and procedures in order to maximize the impact of development cooperation on the intended results of the NDP including promotion of human rights and rule of law. Progress on implementing this policy will be evaluated annually.

2.3 Accountability

The Government and DPs shall be accountable to each other and to the citizens of Uganda in the implementation of this policy and in the use of development resources.

2.4 Value for Money

As with its own resources, the Government shall strive towards achieving value for money from its development cooperation.

2.5 Transparency and Predictability

The Government and DPs shall apply the highest degree of transparency and predictability on flows and results of development cooperation, in order to foster trust and promote accountability to each other and to Uganda's citizens.

2.6 Reducing Transaction Costs

The Government and DPs shall ensure that improved aid management results in lower transaction costs.

2.7 Inclusivity

The Government shall ensure that all DPs participate in this policy, by adapting its principles to the particular features of different partners. It shall also ensure that all the Government agencies and national stakeholders including Parliament, Civil Society Organizations and the private sector are involved in the implementation of the policy.

2.8 Coordination

The Government together with DPs shall coordinate the implementation of this policy through existing policy-making structures and processes, so as to minimise additional transaction costs and maximise alignment with the NDP.

3 POLICIES ON DEVELOPMENT COOPERATION

The Government has specified its development objectives and policies in the NDP, with a vision to make Uganda a modern and prosperous country in thirty years. This chapter lays out the policies that underpin the Government's relationships with DPs.

3.1 Reducing Aid Dependency

Development cooperation has played and continues to play a significant role in Uganda's development. Development assistance has increased sharply over the last two decades reflecting the increasing confidence DPs have in Uganda's capacity to deliver development results. While there is considerable potential to increase domestic revenue generation, high amounts of assistance will remain essential for development over the medium term.

The Government will strive to become less dependent on development cooperation over the long-term.

To this end, the Government will continue to increase its domestic revenues and to enhance domestic and foreign private investment to finance the NDP.

3.2 Modalities for Development Cooperation

The Government benefits from development cooperation through different modalities. Government acknowledges the different strengths and weaknesses of each modality, and will seek an optimal composition of Development Cooperation matching its needs for financing and expertise. In particular the Government will aim to mobilize a larger share of development cooperation as general budget support (GBS). The Government reserves the right to decline any development assistance which is insufficiently aligned with government priorities, has low value for money, excessive conditionalities and/or high transaction costs.

3.2.1 General Budget Support (GBS)

The Government's policy is to mobilise a larger share of development assistance as general budget support because this modality:

i. fully uses government systems thereby reducing transaction costs;
ii. allows dialogue between the Government and DPs to focus on policy commitments and priorities;
iii. gives the Government maximum flexibility to implement the NDP; and
iv. strengthens the Government's accountability to Parliament, civil society and its citizens.

The Government expects DPs to increase the share of their development assistance provided as GBS. All DPs providing GBS will be required to join the Joint Budget Support Framework (JBSF).

To make this option attractive, the Government will meet its obligations under the JBSF. This includes enhancing accountability; promoting good governance and fighting corruption and promoting human (including women's rights).

3.2.2 Sector Budget Support

Sector Budget Support (SBS) has advantages similar to GBS except that the dialogue focuses on spending and policies within a particular sector. SBS is most effective when it is not earmarked for any sub-sectors or programmes, and does not include any additional conditionality beyond sector policy commitments.

The Government expects DPs to increase the share of development cooperation provided as SBS especially where a DP is unable to provide GBS. SBS will be mutually agreed to by the respective line ministry, the Ministry of Finance, Planning and Economic Development (MoFPED), and the DP.

All DPs providing SBS will be required to join the JBSF.

3.2.3 Project Aid

The Government recognizes that project aid can be better suited to address particular development challenges and can bring additional benefits like the technology transfer. Project aid is particularly well suited to financing large energy or infrastructure investments, pilot projects or sectors that do not have strategic plans.

Government will selectively accept project financing where it is aligned to NDP policy priorities and is the most efficient modality.

The Government expects project financing :

- ***to be 'on plan', 'on budget' and to use government financial management, procurement, and monitoring and evaluation systems;***
- ***to be untied or provide high value for money; and***
- ***not to contain policy conditionalities additional to those in the NDP.***

3.2.4 Technical Assistance

Much Technical Assistance (TA) supports Uganda's development by transferring capacity to nationals and institutions for successful implementation of the NDP. However, much is donor managed with limited capacity transfer and high financial costs. The Government will reduce technical assistance over time by transferring capacity to nationals, thereby freeing funds for other priorities.

The Government shall prioritise technical assistance which:

- ***is on-plan, on-budget and using government systems;***
- ***is government managed in design and implementation***
- ***contains clear targets for transfer of capacity to nationals;***
- ***provides high value for money and always untied; and***
- ***provided an optimal mix of Uganda and regional expertise.***

MoFPED in conjunction with line Ministries will draw up guidelines for the design, contracting and management of technical assistance.

3.3 Other Channels of Assistance

The Government recognises that not all development assistance is delivered through its channels since some will be provided through vertical funds or CSOs.

3.3.1 Vertical Funds

Increasingly large amounts of development assistance flow through vertical funds. This is particularly the case in the health sector and forthcoming large amounts of funding to combat climate change.

The Government expects vertical funds to align to national priorities and use government systems by:

- ***supplying timely information on all activities to MoFPED and to sector MDAs;***
- ***funding sector policies under the SWAP arrangements or through budget support; and***
- ***using government reporting systems***

3.3.2 Civil Society Organisations (CSOs)

The Government recognizes the important and diverse roles played by CSOs in Uganda, in promoting the rights and participation of Ugandan citizens, in monitoring Government performance and holding it accountable; and in service delivery.

Where CSOs assume a service delivery role, such assistance should be in line with NDP and sectoral plans so as to maximise impact and avoid duplication and fragmentation. The Government's policy is also to ensure that CSOs are more transparent and accountable.

Government expects CSOs to:

- ***disclose the sources and amounts of their funding and foreign exchange flows in line with NGO legislation and other appropriate laws;***
- ***provide concise and timely information on their service delivery activities to MoFPED; and***
- ***participate in sector Working Groups and PP coordination processes to hold Government accountable and maximise mutual learning.***

The Government will work with CSOs to ensure that the Open-Forum Principles on accountability transparency and effectiveness are applied by all CSOs.

3.4 Alignment

3.4.1 Alignment with the NDP

The Government recognizes that sector strategies are vital for achieving the NDP priorities. The government will elaborate sector strategies to allow donors to respond better to implementation of the NDP priority programs.

The Government also recognises that engagement with DPs at sector level, while bringing significant benefits, has also led to undue influence in policy setting and programming.

All external assistance to the Government will fund programmes included in the NDP and sector strategies.

The Government will review the processes of sector policy formulation and programming, and strengthen MDA capacities to lead this process.

n
3

3.4.2 Policy and Procedural Conditionalities

Policy conditionalities
The Government shares DPs wish to ensure and account to citizens for) maximum results from development cooperation. However, excessive policy conditionalities increase transaction costs and reduce predictability.

Through dialogue with DPs, the Government will therefore limit policy conditions to NDP commitments and underlying principles reflected in the Constitution and international conventions ratified by Uganda, and reduce conditions over time.

Procedural conditionalities
The Government is also burdened by DP procedural conditions such as: loan or grant procedural conditions, counterpart funding commitments and procurement and disbursement procedures.

Where they are unavoidable Government shall comply with procedural conditionalities and will aim to meet them in a timely fashion so as to increase predictability in development assistance. Government expects DPs to simplify or abolish procedural conditionalities wherever possible.

3.4.3 Alignment with Government Systems
In the past decade the Government has made major strides in strengthening its public financial management, procurement and monitoring and evaluation systems.

Government expects that to the maximum legally possible extent DPs will provide assistance to Government through its systems. Where DPs do not, they will be required to explain in writing to MoFPED annually why they need a waiver and to lay out a plan to increase the use of government systems.

The Government will continue to improve its systems with assistance from DPs where necessary.

3.4.4 Untying Development Cooperation
Tied aid reduces the value of development cooperation and therefore reduces the impact it has on achieving development results.

The Government will prioritize untied cooperation and will subject tied cooperation to strict value for money checks. The Government expects DPs to untie all aid, including technical assistance.

3.5 Reducing Transaction Costs

3.5.1 Division of Labour

The Government welcomes the diversification of financing sources demonstrated by the increasing number of bilateral, multilateral and other DPs active in the country. However, it also recognises that the increase in DPs has led to a fragmentation of development cooperation and overcrowding of DPs in some sectors and areas and under-resourcing in others.

The Government will accelerate work on the Division of Labour process, building on the 2006 exercise, and aiming at a more balanced distribution of DPs and transactions across different sectors.

To further reduce fragmentation the Government will expect DPs to co-finance programs, use silent or delegated partnerships and pool funds into Government-designed joint programmes.

3.5.2 Coordinating Missions and Analyses

The Government is burdened by a high number of donor missions and therefore aims to reduce them. The Government will seek greater alignment between joint reviews and analytical processes undertaken by DPs and the budget process, including its sector reviews, in order to foster common understanding and reduce transaction costs.

The Government expects DPs to conduct joint missions and analytical work under its leadership, wherever possible as part of sector reviews

To allow time to complete its own budget processes the Government will operate a "closed season" in May and June during which it will not receive missions.

3.5.3 Reducing Project Implementation Units (PIUs)

The Government recognizes that, in the short-term, PIUs can play a useful role in promoting good practice and effective project management. However, in the long-run the use of PIUs undermines national capacity building efforts and weakens the Government's accountability to its citizens.

The Government expects DPs not to establish new PIUs, to explain in writing why each PIU needs to continue based on a potential risk to project or program success, and to publish a plan for phasing out existing PIUs.

In order to reduce the need for PIUs, the Government will enhance its capacity for program implementation, monitoring and evaluation.

In line with existing policy the Government and DPs shall ensure that accounts for projects and programs operated by PIUs are held with the Bank of Uganda.

3.6 Predictability of flows of development assistance

Predictable development assistance reinforces the Government's ability to deliver the NDP, whereas volatility or delay severely undermines delivery. Unpredictability is caused by a combination of lack of forward planning/liquidity management, DP policy and procedural conditionalities and cumbersome or slow Government procedures.

Government will continue to improve its procedures for processing development assistance and complying with agreed conditionalities (see 3.4.2). The Government will also enhance dialogue on governance, in order to accelerate disbursements and increase predictability.

Government expects DPs to provide annually timetables for quarterly disbursements, to inform the budget process, and to disburse funds in accordance with these timetables within each fiscal year.

The Government expects DPs to provide annually projections of indicative resource allocations for a three year MTEF period.

The Government shall request DPs to provide 'base tranches' of budget support based on overall compliance with NDP progress and underlying principles.

Government expects DPs to provide additional support to smooth any volatility caused by policy or procedural changes due to individual DPs which are unrelated to the Government actions or inactions.

3.7 Concessionality and Debt Strategy

Uganda has benefited from more than US$5 billion of debt relief from the HIPC and MDRI initiatives since 1996. Debt relief has enabled the government to increase its development expenditure. Government policy is to ensure that future borrowing does not lead to unsustainable debt levels.

The Government will implement its debt strategy, which stipulates its strong preference for grants and concessional borrowing. However, concessional assistance will be insufficient to finance the NDP and the Government will therefore need to borrow non-concessionally.

The Government will seek non-concessional financing only for projects with very high economic returns, and will limit Public-Private Partnership (PPP) financing arrangements and guarantees of private sector borrowing to only the most vital and high-return infrastructure projects.

Government will update its debt strategy by conducting annual debt sustainability analysis including the impact of PPPs contingent liabilities and guarantees.

3.8 Mutual and Domestic Accountability and Transparency

3.8.1 Mutual Accountability

Mutual accountability requires the Government and DPs to be accountable to one another in the use and management of development cooperation. The Government is also expected to be transparent and accountable in the allocation and use of all financial resources towards the implementation of the NDP. The Government and DPs will therefore be individually and collectively accountable for complying with the principles and commitments set out in this policy. This will be measured through a monitoring framework, agreed between the Government and DPs.

To implement a performance assessment mechanism under this policy, The Government and DPs will:

i. define indicators of progress for the Government and individual DPs and set these out in a monitoring framework;
ii. jointly review progress annually at PCC-DP meetings;
iii. Publish the results of these reviews and of the coordination meetings so as to increase accountability to stakeholders; and
iv. conduct an independent evaluation of progress in implementing the policy every 3 years.

.

3.8.2 Domestic Accountability

The most important accountability relationship is of the Government to its citizens. Both the Government and DPs will therefore implement all aspects of this policy in ways which promote domestic accountability, including by maximizing the involvement of domestic stakeholders in mutual accountability discussions.

The Government will continue its efforts to strengthen oversight institutions, including Parliament, Inspector General of Government and the Office of the Auditor General.

The Government will present an annual report to Parliament on implementation of the PP as part of NDP execution.

The Government shall ensure strong representation of Parliament, CSOs in the PP coordination structures and shall involve them in the assessment of progress in implementing this policy.

The Government will request CSOs to coordinate among themselves in order to nominate representatives to participate in PP structures in the context of domestic accountability.

3.8.3 Reporting and Transparency

Strengthening and streamlining reporting of development cooperation will reduce the complexity of managing relations with DPs. Reporting on development cooperation will be streamlined so that it will:

i. be timely and relevant to all stakeholders' needs
ii. cover all development assistance (whether on or off budget) including from bi-laterals, multi-laterals, vertical funds and CSOs;
iii. be based on the Government reporting formats to minimize transaction costs, as well as compatible with international practices.

The Government expects all DPs to report all commitments and disbursements to MoFPED.

To facilitate such reporting, MoFPED will implement an Aid Information Management System (AIMS).

In line with Government policy on transparency, CSOs will be required to provide periodic reports as described in section 3.3.2.

The Government will provide public access to AIMS data, and will make publicly available other information on development cooperation, on a timely basis including to citizens through the media.

4 POLICY IMPLEMENTING INSTITUTIONS AND MECHANISMS

This section outlines institutional arrangements and coordination mechanisms that the Government has set out to implement this policy.

4.1 Institutions Responsible for Managing Development Cooperation

The Government has created a legal and institutional framework that defines the responsibilities of MDAs in managing aid:

- The Office of the Prime Minister will be responsible for the overall PP coordination, and monitoring and evaluation. It will also be responsible for supervising discussions with DPs on the design and implementation of development cooperation and will oversee accountability issues.
- MoFPED is responsible for mobilizing financial resources and managing them in manner that promotes economic growth and development. It will take the lead in development cooperation negotiations and thereafter the disbursement and reporting of development cooperation.
- The National Planning Authority (NPA) will be responsible for preparing comprehensive national development plans and guiding the planning process. It will play a key role in identifying NDP financing needs and in monitoring the implementation of the NDP.
- MDAs will be responsible for formulating and implementing NDP programs and will within the context of development cooperation be required to effectively utilise, record and account for expenditure of monies received.

For more details of institutional roles and responsibilities, see Annex 2.

4.2 Procedures for Mobilising and Managing Development Assistance

4.2.1 External Financing and Debt Policy Formulation

MoFPED in cooperation with the NPA will annually prepare a financing strategy for the five-year rolling MTEF that is consistent with the NDP financing needs. It will also conduct annual debt sustainability analysis and define borrowing ceilings in conjunction with Bank of Uganda. Aid and borrowing ceilings in the budget will need to be approved by parliament.

4.2.2 Planning and Programming

MDAs will identify financing needs in their sector plans and will formulate Sector Working Groups (SWGs) to help coordinate DPs active within their sectors. Project proposals will be submitted for appraisal (in terms of compliance with NDP and sectoral priorities) by MoFPED and for approval by the Development Committee. Quality assurance in terms of technical soundness of a project remains the responsibility of MDAs. The Development Committee will also identify modalities of financing most suited to various programmes and projects and identify financing compliant with the policy. At the sector level MoFPED will assist sector agencies in identifying the financing needs of sectors and recording these in the budget and MTEF.

4.2.3 Contact and Negotiations with DPs
Once projects or programmes are approved, MoFPED will provide initial advice on potential donors and assist in initiating contact with the selected DPs. Sector agencies will inform MoFPED of any expressions of interest from DPs and may also participate in initial discussions with DPs to develop projects and examine viability. MDAs shall not enter into negotiation with DPs nor sign agreements. Once DPs have officially expressed their interest in providing finance, the MoFPED will hold technical meetings with pertinent MDAs to agree a Government position in negotiations. It will lead any negotiations and financial discussions thereafter (keeping all stakeholders informed including the Ministry of Foreign Affairs) to ensure maximum compliance with the PP and debt policies.

4.2.4 Agreement, Approval and Signature
Once negotiations have been completed the Minister of Finance will present a Cabinet Memorandum to Cabinet for approval. For loans, MoFPED and the relevant MDA will also be required to seek Parliamentary approval through a Cabinet Brief. The Ministry of Justice will scrutinise loan agreements and give legal clearance on behalf of Government. The ultimate authority to raise loans, issue guarantees, and receive grants is vested with the Minister of Finance as per the Public Finance and Accountability Act (2003). Upon Ministry of Justice clearance, the Minister will sign loan and grant documentation.

4.2.5 Monitoring and Implementation
MoFPED will be responsible for overseeing the fulfilment of all conditions to ensure loan and grant agreement effectiveness. It will also keep inventories of agreements and documentation and maintain the AIMS. The MoFPED will be responsible for the timely financial execution of programmes particularly those that use Government systems. The MDA designated as the executing agent of the programme will be accountable for expenditures and will engage in dialogue with MoFPED Aid Liaison Department (ALD) on delays disbursements and other arising problems.

4.2.6 Accounting, Reporting and Evaluation
The Government is responsible for ensuring that development cooperation resources are used for the agreed purposes. The OPM will coordinate monitoring and reporting on development cooperation across the Government including with DPs. MoFPED will report on loans and grants to Parliament by 15 June as required by the Budget Act. The Government will also provide timely reports to DPs. The Accountant General will continue to improve systems to ensure accountability for development cooperation.

For project support, the executing MDA will work with the ALD to monitor and evaluate project results. For budget support all MDAs will provide data on performance indicators to the MoFPED for Government Annual Progress Review with DPs. The Office of the Auditor General will supply Annual audits of Development Assistance and budget expenditure. In line with the National Policy on Public Sector Monitoring and Evaluation, the OPM will coordinate, standardise and provide technical support on Monitoring and Evaluation functions.

4.3. Coordination Mechanisms

Building on existing structures, the following mechanisms will be used to coordinate development cooperation within The Government itself and between the Government and its development partners:

i. ***Policy Coordination Committee (PCC).*** The Cabinet sub-committee is responsible for policy coordination and will review and monitor progress on the implementation of this Policy. The PCC will hold two joint sessions with DPs and national stakeholders every year (June and December) at one of which a formal annual review of the PP will be presented.

ii. ***Implementation Coordination Steering Committee (ICSC).*** This committee consisting of Permanent Secretaries will oversee policy harmonisation and sector performance monitoring. The Committee is charged with finding ways to align development cooperation to the Government priorities and will hold four joint sessions with DPs.

iii. ***Technical Implementation Coordination Committee (TICC).*** This inter-ministerial technical-level staff committee will coordinate programme implementation across ministries and sectors. It will monitor the implementation of the policy and the execution of development cooperation across sectors. The TICC will be joined by DPs in monthly sessions.

iv. ***Sector Working Groups (SWGs).*** The SWGs will form the basis for sector coordination and will be used to bring DPs around agreed sector objectives and policies. They will be responsible for integrating and reporting on assistance within sector strategies, and will be attended by the Government, DPs and national stakeholders as appropriate.

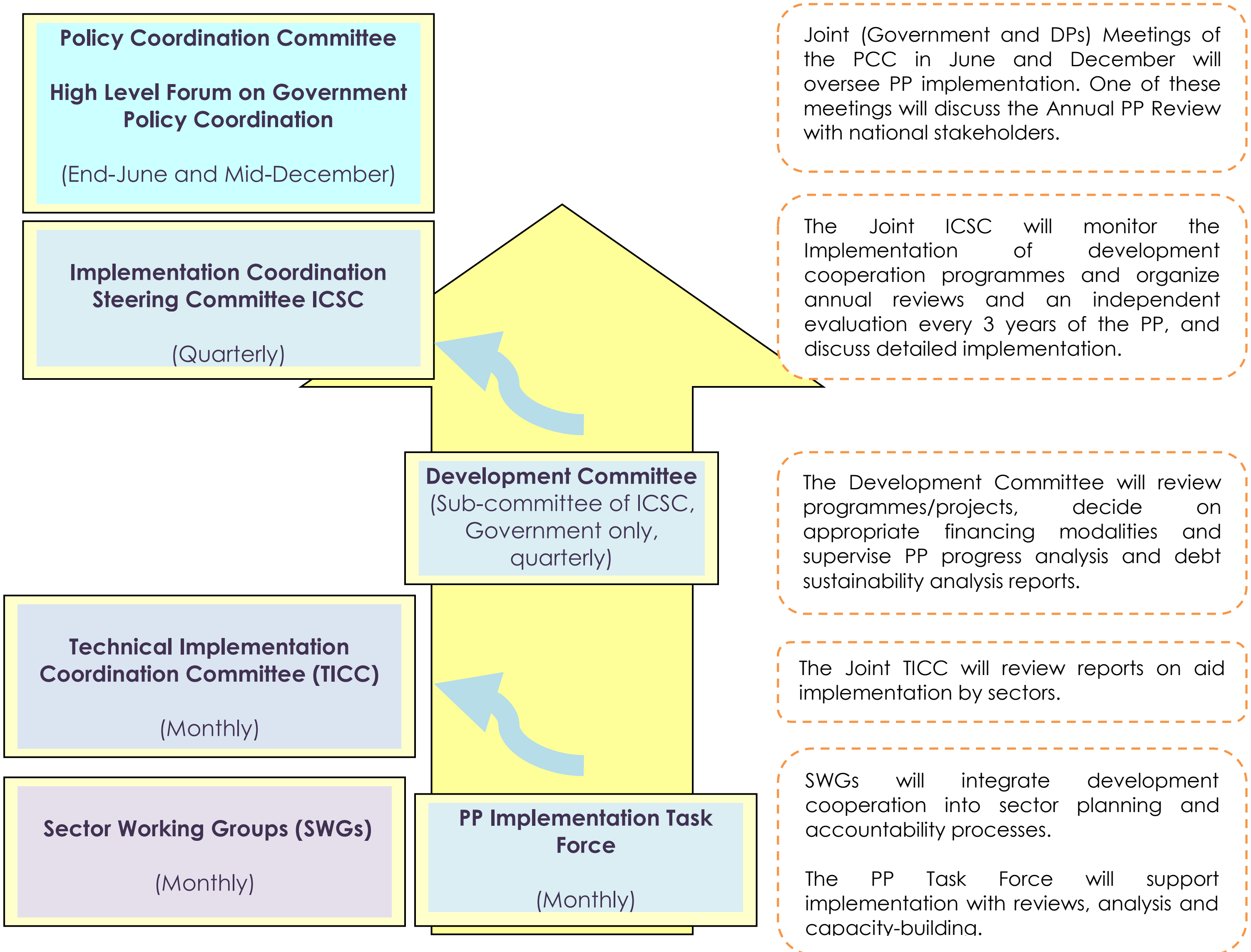
v. **Development Committee (DC)**: To strengthen coordination on financing issues, the Government will expand the membership of the Development Committee to include the OPM and NPA, and make it a formal ***Sub-Committee of the ICSC***. Its mandate will be broadened to implementing the Government policy on development finance (the PP and Debt Strategy), including supervising regular analysis of PP progress and debt sustainability, and ensuring that financing mobilised to support the NDP is compliant with the PP commitments.

vi. **PP Task Force**: To ensure maximum progress on implementing the policy, the PP Task Force comprising the Government, DPs and major stakeholders that has contributed to the preparation of this document will have its membership reinforced and mandate refined, to oversee execution of the policy, and to report to the TICC. In cooperation with TICC, it will commission and supervise reviews and undertake analyses to support this policy's implementation.

The coordination mechanisms for the policy are illustrated in Figure 1 at the end of this section. The processes of coordination will further be expanded in the Memorandum of Understanding between the Government and DPs in respect to implementing this policy. The Government working together with DPs will streamline other coordination processes including the Joint Budget Support Framework to work within these mechanisms.

Finally, the ICSC will appoint an independent assessment team to evaluate the progress in implementing the policy every 3 years and make recommendations to the ICSC on potential improvements. The report of the independent assessment team will be presented to the PCC-DP at one of their meetings during that year. If necessary the ICSC will recommend to the PCC the creation of an adhoc dispute resolution mechanism to deal with urgent disputes between the Government and DPs..

Coordination and Implementation Mechanism



5 POLICIES ON COHERENCE FOR DEVELOPMENT

Uganda's development prospects depend not just on its own policies, or flows of official development cooperation, but crucially on other policies of all its Development Partners (including South-South cooperation providers and regional neighbours). These need to be coherent with the Government development priorities in order to ensure that Uganda can realize the NDP goals and MDG targets. For example, removing agricultural subsidies in OECD countries is essential to maximise the impact of development cooperation supporting agriculture.

It is also vital that Uganda's policies for development should be aligned across all sectors. If Uganda is to reduce its needs for development assistance in the long-term, it needs to grow its revenue base and increase tax revenues and assorted incomes earned from other investments.

The PP includes the following national and international policies so that they can be included in the Government's dealings with DPs.

The Government will expect DPs to have coherent policies across the areas of trade, technology, climate change, cross border tax evasion, agriculture, regional integration, migration and remittances. The Government will also ensure that its policies are coherent and coordinated across all areas of the global partnership.

5.1 Trade

Trade is a major source of revenue and employment and will be crucial if the Government is to meet its development goals. Increasing market access by removing non-tariff barriers and promoting quota- and duty-free access will boost trade and as such support economic growth and development.

The Government will implement a trade promotion strategy that will focus on key value added targets, and contain priority domestic and regional programmes to be funded by aid for trade. It will also enhance institutions and coordination for implementing the strategy, and play a lead role in international advocacy for an early pro-development outcome to the Doha trade negotiations.

The Government will expect DPs to increase market access for higher value added products, reduce non-tariff barriers, and increase the level of "aid for trade" where necessary.

5.2 Technology

Government recognizes that technology can provide significant opportunities to increase productivity in all sectors of the economy, especially agriculture and manufacturing.

The Government will intensify use of technology by executing the research and technology transfer elements of its Science, Technology and Innovation (STI) policy, and enhancing capacity and coordination of supporting institutions. It will enhance

technology transfer by official and private sector funders, notably on intellectual property and generic drugs, and prioritise information and communications technology (ICT) across the productive sectors.

Government will expect DPs to enhance their support for programmes to support human resource productivity, research and development, science and technological innovation, and maximise returns in investments in technology that helps to bridge the digital divide.

5.3 Climate Change

Climate change has the potential to reverse Uganda's recent progress on poverty reduction. On the other hand, the Government recognizes the importance of spending anti-climate change resources in a manner that could dramatically enhance Uganda's growth and poverty eradication prospects.

Government will establish a Climate Change policy covering adaptation and mitigation, and strengthen institutional mechanisms and financing for its implementation. It will also play a lead role in international advocacy for pro-development outcomes to negotiations in climate change fora.

The Government will prioritise DP anti-climate change programmes which go beyond mitigation and adaptation to promote poverty reduction by empowering poor communities to combat climate change.

5.4 Cross-Border Tax Evasion and Tax Incentives

The loss of tax revenue through evasion and avoidance represents a major threat to Uganda's development. Tax evasion includes false trading and invoicing to escape taxes and the transfer of taxable funds to tax havens to avoid tax, which allow secretive transactions; as well as demands for excessive tax holidays for investments in Uganda.

The Government shall strengthen its legal, regulatory and institutional capacity to combat tax evasion, including passing anti-money laundering laws and reviewing investment and income tax laws. It will also work with its regional partners using regional mechanisms such as the African Tax Administrators Forum and East African Revenue Authorities Technical Committee to clump down on tax evasion.

The Government expects DPs to establish tax information exchange agreements with Uganda and to ensure that public and private investments from donor countries prioritise Uganda's revenue needs (i.e. actively encourage investors to pay taxes in Uganda*).*

5.5 Agriculture

Agriculture employs two thirds of the population and generates half of Uganda's exports. Approximately 80 percent of the population is engaged in activities linked to agriculture. The National Development Plan (NDP), the Rural Development Strategy (2005) and the Comprehensive Africa Agriculture Development Programme (CAADP) as articulated in the Development Strategic Investment Plan (DSIP) provide the policy framework to guide agriculture sector development.

The Government will update its costed agriculture and rural development strategy as part of the NDP - including policies on subsidies for fertiliser and seeds and on

microfinance. It will also lobby for reduction of agricultural subsidies and other market distorting practices to increase the country's agricultural export volumes.

The Government will expect DPs to review their domestic policies to eliminate distortional practices and enhance market access for agricultural products. It will also encourage them to increase flows of aid to agriculture and rural development, especially to increasing transfer of agricultural technology.

5.6 Migration and Remittances

While Uganda loses considerable skilled labor through brain drain, it also welcomes revenues through remittances that reached USD 746 million in 2008/09, supplementing household income and enhancing private investment.

Government will implement a Migration Policy which will include promoting financial literacy; establishing bilateral arrangements with host countries to improve migration schemes and implement policies to combat brain drain.

Government will expect DPs to reduce transaction costs in remittance transfer and encourage returns to Uganda, consistent with their development policies.

5.7 Regional Integration

Uganda is an active proponent of regional integration and continues to play an active role in establishing an East African common market in order to establish a broader market for Ugandan goods and attract regional investment.

The Government will strengthen its capacity to negotiate regional integration protocols and their implementation, and identify priority needs for DP support.

Government will expect DPs to increase their support for regional initiatives particularly in trade and related infrastructure, labor market diagnostics and financial sector development.

In view of unique challenges and different stakeholders, these policy coherence commitments will not be monitored through the PP performance assessment framework. Instead, the Government will instead proactively engage DPs to achieve its intended goals under this section. This will include: coordinating with DPs through the ICSC; promoting an annual discussion of policy coherence issues in PCC-DP meetings; and raising the issues with other stakeholders in international and government-to-government discussions.

6 POLICY IMPLEMENTATION PLAN

This chapter outlines the next steps in implementing the policy.

6.1 Dissemination of Policy

During Q4 2011, the policy Task Force will finalise consultations on the policy and agree a strategy for its dissemination to all Government institutions with a role in managing development cooperation, all DPs, and all Ugandan stakeholders.

6.2 Memorandum of Understanding

A Memorandum of Understanding with all DPs containing collective targets to operationalise the PP will be signed by the OPM by end of 2012.

6.3 Reorganisation of Responsibilities and Coordination Mechanisms

During Q1 2013, key Government agencies and members of the policy Task Force will reorganise responsibilities and coordination mechanisms for implementation (including integrating Parliamentary and civil society stakeholders), and finalise modalities for their operation. They will also draw up a detailed implementation timetable for actions envisaged by Government and DPs, and for meetings of coordination structures (including the policy Implementation Task Force) to begin in Q2 2013.

6.4 Capacity-Building Needs

In Q1 2013 the Government and the policy Task Force will draw up a detailed programme for building the Government's capacity to implement the policy in 2013. This should include:

- a manual of procedures (based on the current manual being drafted with Belgian support) that will be used to guide aid management agencies in their operations thorough the entire aid management cycle.
- installation of and training on the AIMS chosen by the Government, including training for DP and NGO officials on data inputting, as well as later in the year for Parliament and civil society on generating and interpreting reports.
- a capacity development strategy for Government agencies, covering aid planning and programming, coordination and negotiations, and monitoring and evaluation, building in part on the aid management component of the Financial Management and Accountability Programme (FINMAP).
- mobilisation of funds to support these activities.

6.5 Mechanism to Tackle Unresolved Issues

Finally, in the course of carrying out these activities, Government and DPs are likely to identify issues which have not been covered by this policy. These will be tabled for discussion and if necessary further analysis at the initial meetings of the new aid coordination structures in 2013.

ANNEXES

ANNEX 1: DEFINITION OF KEY CONCEPTS AND FUNCTIONS

Aid Information Management System (AIMS): an online information-sharing tool containing all data on DP commitments and disbursements, allowing Government and DPs to share information, and undertake analysis and reporting based on their needs.

Budget Support: support provided to fund Uganda's budget expenditure, deposited in the treasury and managed in accordance with normal budget procedures. In the PP, budget support refers to General Budget Support (including budget support programmes earmarked to support the Poverty Action Fund (PAF) and/or the Peace, Recovery and Development Plan for Northern Uganda) and Sector Budget Support.

Civil Society Organisations (CSOs): Ugandan non-government organisations and goes beyond NGOs established for development purposes to include community organisations, womens' groups, trades unions and private sector associations.

Development Cooperation: the financial and technical assistance provided by all development partners (governments, multilateral organisations and non-governmental organisations) to Uganda.

Development Partners (DPs): all partner governments or organisations that provide development assistance to Uganda, including OECD donors, South-South providers, multilateral organisations, vertical funds and NGOs.

General Budget Support (GBS): budget support provided to fund all NDP policy and expenditure that is not earmarked to specific sectors.

Implementation Coordination Steering Committee (ICSC:) committee of Permanent Secretaries overseeing policy harmonisation and sector performance monitoring, which will monitor the implementation of aid programmes and regulate aid management roles of the Government institutions.

Joint Budget Support Framework (JBSF): a joint framework agreed between Government and DPs providing budget support, to improve its management in implementing the NDP. The JBSF provides a long-term, transparent and predictable framework for providing budget support that harmonises performance assessments and aligns the timing of budget support decisions to the national budget process

Medium Term Expenditure Framework (MTEF): the matrix used by Government to strategically allocate financial resources (its own revenues and aid) and set sector spending ceilings over 3-5 years in line with NDP priorities.

National Development Plan (NDP): the Government's strategy for economic growth and development for 2010/11-2014/15 with the theme "Growth, Employment and Prosperity for Socio-Economic Transformation"

National Stakeholders

Partnership Principles (PPs): principles agreed in September 2003 between The Government and DPs to strengthen the link between external assistance and the national development strategy.

Policy Coordination Committee (PCC): a Cabinet sub-committee responsible for policy coordination across all Government, which will coordinate the policy decisions underlying the PP.

Project aid: aid earmarked for particular activities or set of activities agreed in advance of disbursement.

Project Implementation Units (PIUs)

On budget: external financing (including program and project financing) whose commitments and flows are reported in budget documentation.

On plan: external financing (program and project) which is incorporated in the Government strategic planning through the National Development Plan, and related sectoral or other strategic pl ans.

Sector Budget Support (SBS): a sub-category of budget support provided to a specific sector and based around dialogue between the Government and DPs on sector-specific policy and budget priorities. Within the sector, its application is not earmarked.

Sector Working Groups (SWGs): structures which coordinate among the Government, DPs and other stakeholders the implementation of aid within sectors, including facilitating sector reviews and identifying financing needs.

Technical Implementation Coordination Committee (TICC): an inter-ministerial technical-level staff committee responsible for coordinating programme implementation across ministries and sectors.

Technical Assistance: the provision of consultants, advisers and similar personnel to recipient countries.

Tied aid: Tied aid is aid where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries.

Vertical Funds: an emerging source of global development finance that is earmarked towards a single issue, such as fighting HIV/AIDS, rather than horizontally towards a programme area, such as building better healthcare systems.

ANNEX 2: ROLES AND RESPONSIBILITIES

The main text of this policy describes the complete cycle for managing development cooperation, the roles and responsibilities of the Government institutions and DPs at each stage in the cycle, and the coordination structures to monitor and implement the policy. This Annex lists in more detail the roles and responsibilities of each the Government institution and of other stakeholders as groups, in respect of implementing the PP:

1. Office of the Prime Minister

The Office of the Prime Minister is responsible for overall policy coordination, and monitoring and evaluation, as well as for supervising overall discussions with DPs on design, implementation and accountability for the policy and JBSF. It will:

i. design and update the PP and be responsible for its implementation and leadership across the Government;
ii. participate in the Development Committee meetings to ensure compliance of projects with NDP and sector priorities, and PP requirements on financing;
iii. oversee overall monitoring of the NDP and PP, including by chairing the relevant coordination structures (PCC, ICSC, TICC, PP Task Force), chairing the annual review and commissioning the independent triennial evaluation.
iv. coordinate, standardise and provide technical support to the Government evaluations of development cooperation in line with wider public policy evaluations.
v. oversee the PP implementation plan (see Chapter 7) and be responsible for mobilising and reporting on the implementation budget

2. Ministry of Finance, Planning and Economic Development

The Ministry of Finance Planning and Economic Development (MoFPED) has responsibility to mobilize financial resources, and manage them to enhance overall macroeconomic stability. It therefore leads on managing development cooperation including negotiation, signature, disbursement and reporting, Specifically, it will:

i. prepare annually a 3-year financing strategy for the MTEF consistent with the NDP financing needs (in cooperation with NPA);
ii. conduct annual analysis of debt sustainability and contingent liabilities and define annual borrowing ceilings (in cooperation with Bank of Uganda);
iii. chair the Development Committee to ensure compliance of projects with NDP and sector priorities, and appropriate financing as defined in the policy;
iv. assist sector MDAs to capture projects and their financing in sector plans, and ensure that they are captured in the MTEF and budget;
v. provide advice to MDAs on potential funding DPs, and assist them in initiating discussions with DPs;
vi. meet MDAs to agree the Government positions on financing offers, and lead negotiation of financing details, to ensure compliance with PP and debt policy.

vii. prepare Memoranda and Briefs for approval by Cabinet and Parliament, and sign all loan and grant documentation
viii. ensure rapid fulfilment of effectiveness or disbursement conditions, and financial execution; and liaise with MDAs to reduce physical execution delay;
ix. keep inventories of agreements and documentation, and maintain the development cooperation database (AIMS – see 3.8.3);
x. report on utilisation of loans and grants to Parliament by 15 June;
xi. coordinate the preparation of the Annual Progress Review with DPs;
xii. participate in the PP Task Force to ensure timely implementation of its responsibilities under the PP and the PP implementation plan (see Chapter 4).

3. National Planning Authority

The National Planning Authority (NPA) has responsibility to prepare comprehensive national development plans and guide the planning process. It plays a key role in identifying NDP financing needs and monitoring implementation of the NDP. It will:

i. ensure the annually-updated financing strategy for the three-year MTEF is consistent with NDP needs, priorities and intended results (jointly with MoFPED);
ii. assist MDAs in preparing results-oriented plans and budgets and estimating financing needs;
iii. participate in the Development Committee to ensure that programmes and projects submitted for financing are compliant with the NDP priorities and PP;
iv. oversee overall monitoring of the NDP (in cooperation with OPM), including progress in mobilising appropriate financing.

4. Ministry of Justice

The Ministry of Justice is responsible for ensuring that all financing mobilised through the PP is compliant with the laws of Uganda. It will:

i. scrutinise loan agreements and give legal clearance on behalf of Government for their signature by MoFPED.

5. Ministries, Departments and Agencies

MDAs are responsible for formulating and implementing the NDP through sectoral or cross-cutting programs, and for planning, receiving, utilising, recording and accounting for expenditures funded by development cooperation. They will:

i. assure the technical soundness of programmes and projects in their sectors (in cooperation with Sector Working Groups);
ii. present project proposals and related financing needs to the Development Committee to ensure compliance with NDP and sectoral priorities and the PP.
iii. (with assistance from MoFPED) capture programmes and projects in sector and cross-cutting plans (Sector Strategic Investment Plans) and budget submissions (Sector Budget Framework Papers);
iv. (in cooperation with MoFPED) contact potential funding DPs, inform MoFPED of expressions of interest, and engage discussions with DPs on project viability;
v. conduct all negotiations with DPs jointly with MoFPED, with the MDA assuring technical soundness and MoFPED leading on financial issues;

vi. work with MoFPED to seek Cabinet and Parliamentary approval for any loans through a Cabinet Brief;
vii. oversee the physical execution of programmes and projects, and engage in dialogue with the MoFPED ALD and DPs to overcome any delays or problems;
viii. provide all monitoring, accounting, reporting and evaluation inputs on cooperation-funded expenditures, as well as on performance indicators, to MoFPED and OPM as required in the Public Finance and Accountability Act, Public Sector Monitoring and Evaluation Policy, and JBSF.

6. Bank of Uganda

The Bank of Uganda is responsible for advising Government on the macroeconomic impact of external financing, as well as for paying external debt service. It will:

i. (in cooperation with MoFPED) conduct annual analysis of debt sustainability and contingent liabilities and define government borrowing ceilings;
ii. maintain a database of government external and domestic debt, as well as complete documentary records of agreements and transactions;
iii. assure the timely externalisation of all external debt service payments;

7. Office of the Auditor General

The Office of the Auditor General will ensure the timely completion of annual audits of development assistance and other budget expenditures by all public bodies; and financial, value for money, gender or environmental audits of specific projects.

8. Parliament

Parliament is responsible for the approval of the budget and legislation, and the scrutiny, accountability and monitoring of public expenditures. It will:

i. debate and approve the NDP and related sectoral and cross-cutting plans;
ii. participate as appropriate in Sector Working Groups to provide views on priorities and intended results and participate in performance monitoring;
iii. debate and approve the aid and borrowing plans presented in the budget;
iv. debate and approve loans based on a Cabinet Brief;
v. receive and debate an annual report on loans and grants, as well as an annual report on implementation of the PP as part of NDP execution.

9. Civil Society Organisations

Civil society organisations play two key roles: as executing agencies for considerable amounts of development cooperation, and as agents through which citizens can hold Government accountable and promote their interests. They will:

i. if undertaking service delivery functions, provide Government with timely information on all such activities;
ii. report funding and foreign exchange flows as per statistics and (forthcoming) NGO laws;

iii. participate in sectoral working groups to maximise mutual learning on best practices in service delivery and sector-level performance monitoring;
iv. participate in PCC-donor meetings to present their analysis of PP progress and hold the Government and DPs to account for implementation;
v. participate (through the Uganda NGO Forum) in the PP Task Force, to ensure civil society priorities are reflected in the PP implementation agenda.

10. Development Partners

Development partners are key sources of financial and technical cooperation to support Uganda's development. They will:

i. be expected to implement to the maximum degree possible the policy commitments on development cooperation suggested in Chapter 3;
ii. as defined in Chapter 5, make their wider policies more coherent with their development cooperation goals, through development cooperation actions executed at local level, and high-level dialogue on wider policies;
iii. agree indicators to measure the progress of the Government and individual DPs through a common monitoring framework and annual assessment exercise;
iv. jointly review progress by the Government and DPs annually at PCC meetings, and make public the results of these reviews to increase accountability to stakeholders;
v. Conduct an independent evaluation of progress every 3 years to suggest changes to indicators and the accountability process;
vi. abide by the Government procedures for managing development cooperation described in Chapter 4, particularly avoiding negotiation or signature of agreements with individual MDAs;
vii. participate in the Government-DP coordination structures (PCC, ICSC, TICC, PP TF, SWGs); and
viii. provide timely information on development cooperation in Uganda.

REPUBLIC OF UGANDA