

Annex C. Field visit to Uganda

As part of the peer review of Norway, a team of examiners from Poland and the United Kingdom, together with the OECD, visited Uganda in September 2018. The team met with Norway's Ambassador in Uganda, Norwegian development co-operation professionals, representatives from the Government of Uganda, other bilateral providers, multilateral agencies, civil society and private-sector organisations, and Norway's development finance institution, the Norwegian Investment Fund for Developing Countries (Norfund).

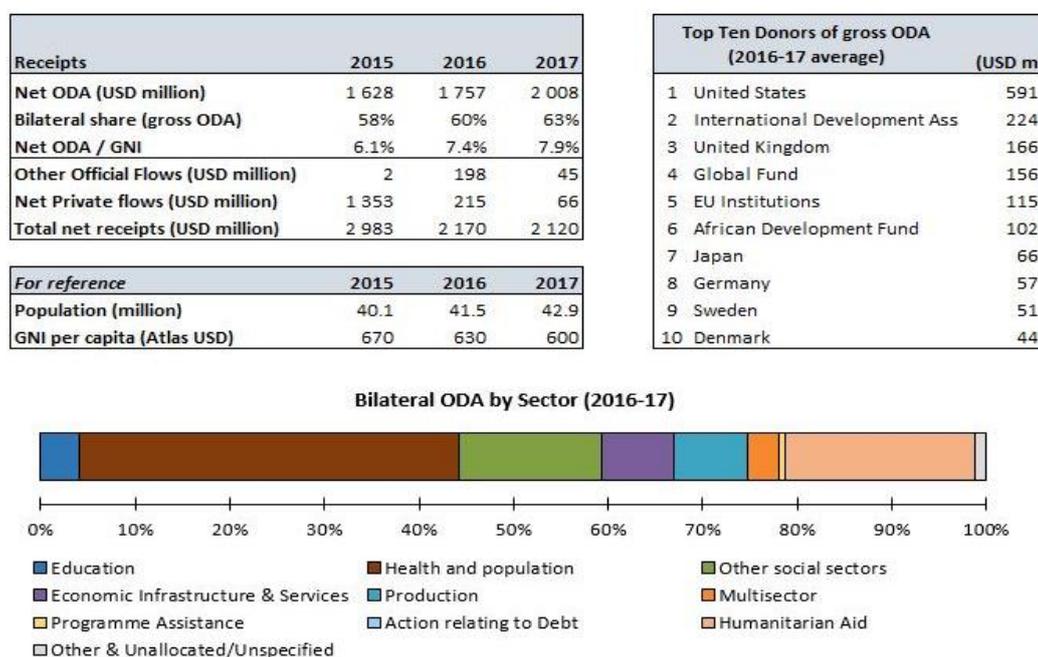
Uganda faces a number of development challenges

Uganda is a low-income country, ranked 162nd (out of 189 countries) in the 2018 United Nations Development Programme (UNDP) Human Development Index. At 60.2 years, life expectancy is marginally below the sub-Saharan African average of 60.7 years (UNDP, 2018). With one of the fastest-growing populations in the world, a high fertility rate (5.6 in 2016) and a declining mortality rate, population growth reached 3.4% per year over 2012-16 (United Nations Population Fund [UNFPA], 2017). The recent slowdown in the economy has further constrained growth per capita, with a subsequent increase in poverty levels. While the proportion of Ugandans living below the national poverty line declined significantly between 2006 and 2013, this trend has recently reversed.¹ According to results published by the Uganda Bureau of Statistics in early 2018, approximately 8 million people now live in poverty, 21.4% of the population (Uganda Bureau of Statistics, 2018).²

Voice and accountability, which improved between 2003 and 2008, are declining (Mo Ibrahim Index, 2018). Corruption represents a significant challenge for governance, and while policy and legal frameworks have improved, notably through the *Public Financial Management Act (2015)*, there remain significant gaps in the Act's implementation. In an effort to accelerate growth, the Second National Development Plan 2015-16 to 2019-20 (NDP II) made industrial development an integral part of the government's development strategy (OECD, 2017).³ Uganda has an emergent petroleum sector, with oil production expected to come on-line for the first time from 2022.

Recent budgets have focused increasingly on infrastructure and the security sector, while social-sector spending – namely on health, education, social development and justice – has declined. Several of Uganda's development partners including Norway have voiced their concern over this development. Considering that 55% of Ugandans were below the age of 18 and a further 23% under 30 in 2016, improving access to and the quality of education to support the development of a skilled labour force remains an important development challenge.

Figure C.1. ODA to Uganda



Source: OECD - DAC, World Bank; <http://www.oecd.org/dac/stats>

As of July 2018, Uganda was host to 1.19 million refugees, predominantly from South Sudan, and from the Democratic Republic of Congo, Somalia and Burundi (Office of the United Nations High Commissioner for Refugees [UNHCR], 2018). The majority of refugees have settled in Northern Uganda, historically the country's least-developed region. Uganda is a pilot country for implementing the United Nations Comprehensive Refugee Response Framework (CRRF), and by law provides refugees with a plot of land, the right to work and access to education. Norway supports the CRRF, notably through its contributions to UNHCR, as well as in partnership with the Norwegian Refugee Council (NRC). Norway has also started to address development needs in Northern Uganda in partnership with the World Bank.

Norway's development finance institution, the Norwegian Investment Fund for Developing Countries (Norfund), is actively and strategically engaged in Uganda. As of 2017, Norfund's investments in Uganda totalled USD 211 million (NOK 1.7 billion). This includes direct investments and indirect investments through funds or platform companies. 50% of this amount was invested in energy projects, 41% in financial institutions, 2% in food and agribusinesses and 7% in SME Funds (Stigen, 2018; Norfund, n.d.),⁴ in line with Norfund's mandate (Norfund, 2016). Investments such as in the Bujagali hydropower plant have mobilised additional private capital and Norwegian competence and this focus on the electricity sector is in line with Uganda's development needs. SME funds, and food and agriculture are also priority issues for Uganda.

Given the range of actors in Uganda's energy sector, Norway could consider formalising the way in which Norfund's sizeable investment capacity remains aligned with Norwegian development policies. This would also facilitate learning and knowledge management, wherein the knowledge gained through Norfund's local engagement with the private sector and facilitated by its regional offices is fed back into the wider Norwegian development

co-operation system. Given the challenging business environment in Uganda (including complex land-rights challenges, high levels of corruption and a relatively unstable foreign-investment environment), capitalising on synergies within and outside of Norway's own system and capitalising on opportunities for collaborative risk management – including among other development partners working in the same sector – would be valuable.

Norway's policies, strategies and aid allocation

The Storting endorsed the white paper proposing 16 partner countries, including Uganda, in December 2018 and the Ministry of Foreign Affairs is now in the process of developing multi-year strategies for these countries. However, in the absence of such a strategy to date, the embassy has formulated a comprehensive annual work plan, which provides staff with a good picture of the embassy's strategic objectives. As a result, embassy staff have an understanding of Norway's priorities and the context in which they operate. Shifting the work plan's focus from inputs to results and ensuring coverage of Norway's overall engagement in Uganda would improve capacity for strategic planning and foresight.

Norway's priorities, notably on education, clean energy and the petroleum sector, are aligned with Uganda's

While Uganda became the biggest recipient of Norwegian official development assistance (ODA) to education in 2013, receiving NOK 73 million (Government of Norway, 2014), more than half of Norwegian aid targeting education is based on agreements at the global level, with the United Nations Children's Fund (UNICEF) and the Global Partnership for Education serving as the main partners in 2017. In Uganda, the bilateral Norwegian Programme for Capacity Development in Higher Education and Research for Development is an innovative way to support the education sector, strengthening local capacities by using country systems throughout the programming cycle and creating avenues for South-South co-operation. Education is also an important objective, and an integrated part of Norwegian humanitarian assistance in crises and conflict. In Uganda, Norway's support to UNICEF, the UNHCR, the World Bank and the NRC (among others) has enabled the provision of education to refugee and host-community children, reflecting Norway's commitment to education.

Norway has also been involved in the development of the Ugandan electricity sector since the mid-1990s, focusing on power generation, transmission and technical capacity-building (Norad, 2016a). Energy is a priority of the Government of Uganda. More recently, Norway has demonstrated significant involvement in and commitment to clean-energy development, reflecting its global priorities. Norway has succeeded in building a portfolio that reflects its comparative advantage, which it deploys through multiple components of its development co-operation system in Uganda. This strategic engagement in the energy sector is acknowledged and appreciated by the Ugandan government.

Oil for Development would benefit from a more holistic understanding of, and response to, corruption risks in the sector

Norway plays an important advisory role in the management of petroleum resources, given the sector's revenue and developmental potential. The Ministry of Energy and Mineral Development and the Ministry of Finance, Planning and Economic Development are among Norway's most important bilateral partners in Uganda. Norway's long-term engagement and approach to supporting the petroleum sector in Uganda is highly valued. Its support for

strengthening institutional capacity and legislative frameworks through the Oil for Development programme has contributed to building domestic capacity, and is laying an important foundation for domestic resource mobilisation once production comes online. Nevertheless, overall Norway's Oil for Development programme in Uganda would benefit from a more granular and carefully calibrated understanding of, and response to, corruption risks in the sector, including the potential for state capture. In this respect, institutional partnerships such as those between the Ugandan Auditor General Office and the Norwegian Auditor General Office, and the private sector, will be instrumental.

Norway's approach to cross-cutting issues is inhibiting implementation

As noted during the peer review's visit to Oslo, Norway is struggling with its approach to crosscutting issues. Norway's "do-no-harm" approach reflects a move away from mainstreaming towards a risk management approach. This shift does not seem well understood by Norway's partners in Uganda. Guidelines from Oslo that clarify implementation of the "do-no-harm" approach for both staff and partners could help translate these priorities into programming. They should also consider the variations in understanding of and approaches to different cross-cutting issues. More systematic use of scenario-based training, providing practical examples of how to detect and respond to corruption incidents, may also strengthen staff capacity to identify and understand risks and turn any guidance into practice. Tailored in-country support for staff operating in countries with high levels of corruption (tending towards state capture), as evident in Uganda, is also warranted and would assist Norway to begin to implement a more nuanced, graduated approach to corruption risk management.

Norway's bilateral aid to Uganda has fluctuated over the past decade, and reflects a growing emphasis on working through the multilateral system

The total ODA allocation managed by the embassy in 2017 was USD 10.4 million in current prices (NOK 86.2 million), spread over three budget lines. This reflects a sizeable reduction from 2014 when it was USD 47.9 million (NOK 301.7 million) over seven budget lines. In 2016-17 Norway was the tenth-largest donor in gross ODA to Uganda. The United States, the United Kingdom and the European Union were the largest bilateral donors (Figure C.1).

Working through the multilateral system, as well as with like-minded multilateral partners, is an important element of Norway's engagement in Uganda. Norway ceased providing budget support to Uganda in 2012 following a significant corruption case related to reconstruction funds, following the conflict in Northern Uganda and involving the Prime Minister's Office.⁵ This shift away from budget support requires new ways of working in Uganda, both in terms of donor co-ordination, and engagement and policy dialogue with the government. As one of its priorities, Norway provides significant support to the health sector in Uganda and channels it through multilateral mechanisms, resulting in limited government recognition of Norway's engagement. Considering these factors, there is scope for Norway to work with its partners more closely, to leverage its contribution in its priority sectors, and achieve better outcomes and increased opportunities for policy dialogue.

Opportunities exist to strengthen linkages between development, trade and foreign policy aims

The embassy has made an effort to develop linkages between the four goals in its work plan – including aligning private sector development with its engagement in the energy and petroleum sector, and linking civil-society strengthening with building more accountable

institutions. However, there is scope to further explore the opportunities for alignment across the programme and to strengthen linkages between development, trade and foreign policy aims at both the bilateral and global levels, to ensure they are mutually reinforcing. Norway's whole-of-government approach would be further strengthened by development of a country strategy encompassing all Norwegian country-level activities, strengthening Norway's overall portfolio.

Organisation and management

Investing in the professional development of locally engaged staff

Locally engaged staff play a critical role in the embassy, providing in-depth understanding of the national context and continuity in managing key relationships. National staff benefit from opportunities for training and skills development. This could be strengthened further with clear professional development plans and efforts to ensure adequate embassy capacity as Norway's programme evolves.

Norway could do more to ensure that country-level lessons are shared both across the administration and with its partners

The embassy has strengthened its grant-management processes in response to the 2017 grant-management review of the embassy. The creation of a dedicated financial advisory position should be recognised as good practice across Norway's aid delivery. Norway's zero-tolerance approach to corruption is also clearly communicated to both staff and partners at the country level. Nevertheless, greater clarity on what zero-tolerance means in practice – including possible implications for programme implementation and results – would help Norway and its partners – including other donors with or without a zero-tolerance policy – to better manage risks, particularly in contexts where corruption and political risks are high.

Partnerships, results and accountability

Norway is seen as a reliable and valued partner

Development partners, multilateral organisations and CSOs in Uganda consistently recognised Norway as a reliable and valued partner, and more than just a donor. This appreciation is based on Norway's long-term engagement, constructive dialogue and consistent focus on capacity-building. Norway is also making strategic use of the sectoral working groups and other donor co-ordination mechanisms in Uganda on issues relevant to its priorities, including energy and gender, and democracy and human rights.⁶ There exists an opportunity for Norway to better leverage its strong relationships, engagement in strategic sectors and perceived neutrality, to scale up its dialogue with the government on sensitive issues, such as corruption and human rights. Magnifying its voice through a co-ordinated approach with like-minded partners may also help achieve greater impact in a sensitive political environment.

Significant room to improve monitoring throughout project implementation

Norway has clear guidelines in Uganda with regard to results frameworks and end-of-programme evaluations. Nevertheless, there is significant room to improve monitoring throughout implementation. This would enable partners to adapt better to evolving contexts – particularly in high-risk sectors – and implement programmes more effectively. It may also help Norway feed this knowledge back into its development co-operation systems.

Humanitarian assistance

Humanitarian assistance and development co-operation could be linked more systematically

Through its humanitarian engagement in Uganda, Norway has demonstrated that it can respond rapidly to evolving needs, providing resources to its partners in a timely manner. There is, however, scope for Norway to engage its transition funds more systematically and to ensure that development funds mobilised within the CRRF translate into benefits for the affected population in Northern Uganda.

Notes

¹ The number of Ugandans living below the national poverty line declined significantly, from 31.1% to 19.7%, between 2006 and 2013; however, this trend has recently reversed.

² The Uganda Bureau of Statistics released a second version of the Uganda National Household Survey 2016-17 in February 2018, substantially revising the poverty figure downwards, from 27.7% of the Ugandan population to 21.4% (Uganda Bureau of Statistics, 2018).

³ According to the 2017 African Economic Outlook, industrial-sector development remains at a nascent stage: the sector accounted for approximately 18% of GDP in 2015-16, dominated largely by manufacturing, followed by construction, electricity, water, and mining and quarrying (OECD, 2017).

⁴ “Norfund: Investing for development,” slide presentation by regional director, September 2018, Kampala, Uganda.

⁵ Prior to 2012, budget support to Uganda has also been periodically suspended. In 2002, most donors suspended general budget-support payments after the Government of Uganda announced budget cuts to increase defence allocations. Between 2005 and 2007, smaller budget-support suspensions or cuts were enacted. In 2012, the involvement of the Prime Minister’s Office in a corruption scandal, and government plans to implement a law criminalising homosexuality, led donors to suspend and later exit budget support (see Orth, Birsan and Gotz, 2018).

⁶ As of 2018, the Norwegian Embassy in Kampala chaired the Energy Development Partner Group, having done so for 4 years, and started chairing the Gender Development Partner Group, in addition to the Democracy and Human Rights Working Group.

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