

### **Guidelines for Norwegian Development Cooperation with Uganda 2001-2005**

The Storting (the Norwegian Parliament) determines the goal of Norway's development cooperation and decides the financial allocations for the major partner countries. These guidelines are prepared by the Norwegian Agency for Development Cooperation (NORAD) and are based on the *Memorandum of Understanding between the Government of the Republic of Uganda and the Government of the Kingdom of Norway concerning Development Cooperation*, signed 31 January 2001.

**Norwegian Agency for Development Cooperation  
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Uganda has recorded significant achievements since the country in 1986 began the difficult task of restoring the political, economic and civil structure. Despite somewhat slower economic growth recently, Uganda still has one of the fastest growing economies in Africa, a reasonably stable political system and an increasingly active civil society. Among serious remaining challenges are the external and internal conflicts and pervasive poverty. The HIV/AIDS epidemic and corruption are other threats to development.

The Ugandan Poverty Eradication Action Plan (PEAP) provides a comprehensive framework for development and incorporates visions, issues and measures from the whole spectrum of society. It lists sound priorities and outlines clear objectives, and reflects a high degree of national ownership.

The development cooperation between Uganda and Norway in the 2001-2005 period will subscribe to the same overall goals as the PEAP and use the same indicators for monitoring achievements. The two countries agree that a holistic, cross-sectoral approach is necessary to reduce poverty, and confirm their intention to move towards budget support modalities as and when appropriate transparent mechanisms are put in place. The development cooperation programme for 2001-2005 will focus on three areas: good governance, democracy and human rights; economic growth and private sector development; and social development, with particular emphasis on the health sector.

HIV/AIDS prevention and control will be emphasised within all areas of development cooperation. Other overriding concerns are gender equality, sustainable management of natural resources, institutional capacity building, transparency and accountability. In emergency situations, aid will be provided with a view to prepare for a more long-term development assistance. The interests of vulnerable groups such as persons with disabilities and children will be considered in all areas of cooperation. Norway may support activities in the public sector, civil society and the private sector.

# 2 The Challenge

## Poverty - Social Development

Poverty is still massive in Uganda, in spite of recent reduction in the proportion of people living below the poverty line. The country is ranked as the 141st of 162 countries on the UNDP Human Development Index<sup>1</sup>.

Although the country has one of the most sustained and committed reform programmes in Africa, major challenges remain. Life expectancy has dropped to 43 years (down from 48 years in the mid-1980s). Infant and maternal mortality rates remain high (at 83 per 1,000 and 510 per 100,000 live births respectively). The fertility rate of around 7 children per woman is amongst the highest in the world. Primary health care is poor, with petty corruption and lack of trained staff. Immunisation of children has decreased in the last decade. However, the Government has recently taken steps to revitalise immunisation programmes.

Poverty differs among regions, and conflict affected areas (in the North and in the Karamoja area) are particularly deprived. Low income and poor education, limited control over resources and access to land, little participation in the monetary economy, and traditional bias contribute to women being poorer than men.

Uganda runs one of the most effective anti-HIV campaigns in Africa and is one of the first countries where the prevalence is declining. In spite of this, AIDS remains the primary killer among adults. The epidemic is linked to the poverty situation.

Uganda has been one of the educational pioneers in the region with an Education Sector Investment Plan, of which the core is Universal Primary Education. While primary enrolment has increased tremendously, one of the major challenges now is to improve the quality of education.

## Political Situation

Since President Museveni came to power in 1986, Uganda has operated under a "movement system", where candidates compete for elections as individuals rather than members of political parties. This has taken the country important steps away from a traditional feudal political system, towards democracy. A referendum on whether multiparty democracy should be introduced was held in June 2000. A great majority supported the continuation of the movement system, although the traditional political parties, including the Democratic Party (DP) and the Uganda People's Congress (UPC), boycotted the referendum and did not recognise the result.

Whether and how the political system will evolve is expected to remain an important question in the coming years. President Museveni has indicated that the issue of opening up the system to political parties will be reconsidered later, and important reforms are expected to follow from the implementation of the Political Organisation Bill, and the Review of the Constitution process.

## Economic Situation

Since 1986, Uganda has introduced reforms aimed at restoring and maintaining macroeconomic stability and undertaken structural reforms to improve the economic, social and institutional infrastructure. Fiscal discipline, opening up the economy and promoting reliance on market forces have been key features of the reform programme. The results have been impressive. Annual GDP growth has averaged more than 6 percent over the last decade, while inflation has averaged 5 percent since 1992-93. Per capita GDP is about USD 320.

Uganda was the first country to reach completion point under both the initial and enhanced Heavily Indebted Poor Country (HIPC) debt relief initiatives, which helped reduce the country's debt burden. In May 2000, it was the first country to present a full Poverty Reduction Strategy Paper (PRSP) to the Boards of the World Bank and IMF.

Growth has largely been due to the catch up period after years of chaos and war and substantial donor funding. It has decreased recently. Continued growth depends on further improvement of public financial management, strengthening of financial markets, reduced subsidies to parastatals, improved infrastructure and ultimately the level and quality of investment. The country has a comparative advantage in agriculture within the region. Diversification of exports (within and outside agriculture) is important to become less vulnerable to droughts, plant diseases and commodity price fluctuations.

After having nearly doubled in the early 1990s, Government revenue as a proportion of GDP has stagnated at 11-12 percent since 1996/97, well below the Sub-Saharan Africa average. This level is too low to finance the present public sector service delivery and ensure the sustainability of the many donor-funded programmes.

## Governance

Good governance is vital for creating a conducive environment for development. Serious capacity constraints exist in most private and public institutions. Corruption is believed to be rampant in many areas of society. Public service delivery, particularly at the local

level, remains weak and systems for ensuring accountability are still not working well. The establishment of an effective, responsible and accountable public service is the key to implementing effective poverty eradication policies.

There appears to be a strong political will to carry the ongoing decentralisation process further. However, more consideration needs to be given to the local authorities' ability to raise their own tax or non-tax revenues and, linked to this, their ability to prioritise and adapt spending to local requirements.

### **Security Issues and the Regional Situation**

Uganda puts great emphasis on regional cooperation and is an active member of several regional organisations. The country looks to regional integration as a strategy for redressing the problem of a small, fragmented market and to provide a forum for negotiating better trading and investment relations with partner states within the region and with other international organisations. The country has ratified the East African Community (EAC) treaty and is a strong supporter of the organisation. However, Uganda's role in the regional setting is negatively influenced by external and internal armed conflicts, several of them inter-linked.

The internal conflict areas include the north where members of the rebel movement Lord's Resistance Army (LRA) have committed serious violations against civilians and abducted several thousand children as part of their recruitment strategy. In the West Nile region the situation has improved considerably, after two rebel movements (West Nile Bank Front and Uganda National Rescue Front) were pacified. In the west, the Allied Democratic Forces (ADF) have seriously threatened the security situation since 1996. The ADF is a coalition of rebel forces presumably financed from abroad, and has also recruited ex-soldiers from DR Congo and Rwanda (including Interhamwe militia) in recent years.

Cattle rustling in the north-eastern province of Karamoja remains a continuous problem for the people in that area, and results in loss of lives and destruction of infrastructure.

The main external conflict area is the Democratic Republic of Congo (DRC). Ugandan involvement in the DRC conflict began in 1996 and was initially aimed at preventing genocide as well as creating a buffer security zone towards hostile elements inside the DRC. The conflict developed into one of the most complex armed conflicts on the African continent. Military clashes between the two allies,

Uganda and Rwanda, have added to this and show the political differences between the two states.

Relations between Uganda and Sudan remain strained, despite the 1999 peace treaty. The Sudanese Government has accused Uganda of supporting the Sudan People Liberation Army (SPLA), while Uganda blames Sudan for supporting rebel movements that operate in Uganda. Recently there has nevertheless been some improvement in the relationship between the two countries. Conflict development is, however, unpredictable due to the complexity of the regional issues and may influence the situation in the region for many more years to come.

### **The Environment**

Uganda is richly endowed with a scenic and diversified natural environment including mountains, lakes, rivers, forests, arable land and a climate ideal for cultivation. The natural resources contribute directly to the socio-economic wellbeing of Ugandans. The National Environment Statute (1995) has been passed to regulate the use and management of natural resources and the environment. The Government has also put in place a specific policy and the National Environment Management Authority to implement the provisions of the law.

Uganda and its neighbouring countries face severe, common environmental problems in Lake Victoria and Mount Elgon. In addition, depletion of soil fertility and deforestation pose serious threats to the natural resource base. The natural resource management is of a transboundary nature, and Uganda has entered into a number of arrangements with her neighbours concerning i.a. Lake Victoria, River Nile, cross-border forests and national parks.

# 3 Partnerships

## **Government**

Uganda has demonstrated considerable determination and will to move necessary reforms forward, including market-based reforms. An active policy dialogue is taking place with different stakeholders. The challenge is to sustain the reform programme and deepen its domestic ownership.

Uganda has developed one of Africa's soundest and most comprehensive plans for fighting poverty. The Poverty Eradication Action Plan (PEAP) provides an overall framework for development and incorporates visions, issues and measures from the whole spectrum of Ugandan society. It lists sound priorities, outlines clear objectives, and reflects a high degree of national ownership. Norway and Uganda have agreed to base further planning, implementation and monitoring of the development cooperation on the PEAP.

## **Donors**

Uganda is heavily dependent on external resources, with aid covering more than two thirds of public investments and a large part of the recurrent budget. To a large degree this is due to the country's successful implementation of reforms, to which the international donor community has responded positively. However, the present situation is not sustainable for Uganda in the longer term. Thus, efforts to increase domestic revenue should be given priority.

Recent experience has demonstrated limitations in some areas with respect to Uganda's capacity to use financial aid effectively. Norway will monitor this and adjust disbursements accordingly.

## **Civil Society and the Private Sector**

Uganda has an increasingly active civil society and a more interactive partnership has been developed between the Government and civil society in the effort to eradicate poverty. The PEAP gives the private sector and civil society a clear and undisputed shared responsibility for implementing the plan. It defines the Government's role as that of facilitator for economic growth, provider of social services and a guarantor for state security. The private sector and civil society are welcomed both as providers of services, and as a counterbalance to the Government. It will be important to find channels and instruments to further increase the involvement of civil society and private sector in development.

However, organised civil society appears to be playing a limited role in the areas of advocacy and political rights. Still, there are positive signs also in these areas. NGOs, media, and the political opposition are increasingly given political space for challenging the Government

and acting on behalf of particular groups and communities.

Improving relations and establishing a common understanding between those that govern and those that are governed are considered important for democratisation as well as for realising the full development potential.

# 4 Current and Future Norwegian Programme

Norway has provided development assistance to Uganda since the early 1960s, interrupted by a period of nearly complete withdrawal from 1973 to 1986. Cooperation was strengthened in 1996 with the signing of a Memorandum of Understanding and the establishment of the Norwegian Embassy in Kampala.

Experience from bilateral development cooperation between Uganda and Norway so far has been satisfactory. Norway's cooperation with the country is a long-term commitment and was confirmed when representatives of the Governments of Norway and Uganda held consultations in Kampala in December 2000. Following these consultations a Memorandum of Understanding on the overall priorities and framework for future cooperation between the two countries for the planned period 2001-2005 was signed on 31 January 2001.

Since the PEAP has such a vital role, it is agreed that development cooperation in the 2001-2005 period will promote the same overall goals as the PEAP and use the same indicators for monitoring achievements.

The two countries have agreed that a holistic, cross-sectoral approach is necessary to reduce poverty and that further progress in some areas is crucial for achieving Uganda's development objectives. These areas include good governance and democracy, including transparency and the fight against corruption; a solution to internal and external conflicts; a framework for economic growth and transformation; continued fight against HIV/AIDS; basic social services for the majority; and environmental management with a regional focus.

## **Concentration on Main Sectors of Cooperation**

A sector-wide approach requires substantial administrative and technical resources on the Norwegian side. The selection of a limited number of areas aims at guaranteeing sufficient capacity and the adequate quality of Norwegian involvement.

The two countries have confirmed their intention to move towards budget support modalities as and when appropriate transparent mechanisms are put in place. Where possible in the selected areas of cooperation, Norway will seek to support sector programmes established by the Government. A further reduction in the number of individual projects is also envisaged. Together, this should contribute to a reduction in the number of foreign counterparts in each area, thereby reducing the burden on the Ugandan administration.

In the selected main areas of cooperation, the Norwegian commitment will be long-term and normally comprise policy dialogue as well as financial and technical assistance. Institutional cooperation may be included. The balance between the different forms of support will be adjusted in accordance with progress made within each sector.

Before agreeing on the future cooperation, the Ugandan Government's development plans and its priorities for Norwegian assistance, the need for sector concentration, general guidelines for Norwegian development cooperation, the existing programme, and the involvement of other donors were considered.

## **The Goal**

In line with the general guidelines for Norwegian development cooperation, the overall goal of the programme is to support Uganda's efforts to reduce poverty.

## **Programme Objectives - Main Areas of Support**

The development cooperation programme for 2001-2005 will focus on the following three programme objectives:

*1) Contribute to Good Governance, Democracy, and Human Rights*  
The development of democracy increases people's participation, improves their ability to make themselves heard on issues that are important for their lives and is thus vital for poverty eradication.

Uganda is planning to tackle the problem of corruption in a comprehensive manner, which includes both reactive and preventive measures. Uganda's commitment to human rights protection derives from international human rights conventions, which the country has ratified, and from the Constitution. Norwegian support in the area of good governance, democracy, and human rights is foreseen to concentrate on the government's anti-corruption efforts in the public sector, as well as continued support to justice reforms and the Human Rights Commission.

*2) Contribute to Private Sector Development and Economic Growth*  
Uganda's "Medium-Term Competitive Strategy for the Private Sector" identifies key constraints for private sector development and forms the basis for Government, donor and other stakeholder intervention to stimulate private sector development. This is part of an overall strategy for economic growth. Norway has agreed to continue to support Uganda in this area, in line with the Norwegian strategy for private sector development in developing countries.

In the energy sector, Norway has assisted in terms of institutional support, investments in production capacity and infrastructure, and technical assistance. The ongoing restructuring implies that the sector ministry shall focus stronger on overall policy development and planning, with the private sector responsible for investment in and operation of commercial enterprises. Norwegian support will be continued and is foreseen to include cooperation in the fields of research, private investment and corporate management.

Norway will support the ongoing restructuring process of the forestry sector, primarily through support to the establishment of a national forest authority.

### *3) Contribute to Social Development*

Norway will increase the support to the health sector, within the framework of the Government's sector plan and programme. Coordination with Sweden is being arranged, where Sida will play the role of lead agent for Norwegian sector budget support.

Norwegian NGOs have supported health service delivery. Their future role will be discussed with the Ugandan authorities with regard to integration into national plans in general and the Norwegian development programme in particular.

Norway supports the Global Alliance for Vaccines and Immunisation, GAVI. In this regard, Norway is following the revitalisation of the immunisation programme in Uganda with great interest.

In the area of education, Norway has entered into an extensive five-year framework agreement with Makerere University concerning institutional development. Parts of the programme have a vocational character and is envisioned to benefit private sector development.

Norwegian NGOs' support to specific educational projects, i.a. primary education for internally displaced people in the Northern Province, is foreseen to continue.

### **Cross-Cutting Issues**

Special attention will be paid to HIV/AIDS prevention and control within all areas of development cooperation. Other overriding concerns are gender equality, sustainable management of natural resources, institutional capacity building, transparency and accountability. The interests of vulnerable groups such as children and persons with disabilities will be considered in all areas of cooperation.

The provision of aid in emergency situations as a transition to longer-

term development assistance, is regarded an important option for Norwegian support.

### **Norwegian Support outside the main areas of involvement**

Ongoing agreements will be honoured.

Norway is prepared to continue supporting regional cooperation on natural resource management.

### **Roles and Responsibilities**

To support Uganda's development policies, and in agreement with the principle of recipient responsibility, all government-to-government cooperation shall be based on Uganda's development plans. The Government of Uganda shall be responsible for planning, implementing (including procurement), monitoring and controlling all activities in the cooperation programme. Grants shall be reflected in public plans, budgets and accounts and be managed in accordance with national administrative standards and procedures, provided that they meet internationally accepted requirements for accountable and transparent financial management.

During the last three years, support channelled through Norwegian NGOs has accounted for 15-20 percent of the total Norwegian bilateral assistance to the country. Also in the future, Norway will consider support for civil society and private sector activities. As regards direct financial transfers outside the public sector, Norway will provide information on the volume and recipients of assistance on an annual basis and consult with the Government of Uganda regarding the profile and priorities of this cooperation.

# 5 Programme Resources and Administration

The time frame for the present guidelines is five years. During its period of validity, it will be followed up through regular consultations with Uganda. The level of Norwegian assistance will depend on the progress of political and economic reforms to eradicate poverty, including the reduction of corruption, and will be subject to annual allocations made by the Norwegian parliament.

Norway will actively support Ugandan leadership in its relation to donors and coordination of donor inputs. Norway is committed to cooperate with other donors to simplify procedures, improve division of labour and benefit more systematically from other donors' insights and experiences. Norway will prioritise to undertake joint evaluations organised in cooperation with the Ugandan Government and donors.

## Annexes

### Uganda - Country Information

Area: 241 038 km<sup>2</sup>

Population<sup>2</sup> : 22.2 million

Capital: Kampala

GNP per capita<sup>3</sup> : USD 320

Population density: 92 per km<sup>2</sup>

### Preparatory Process - Summary

January and February 2000

NORAD working group established. Government of Uganda informed about process and timetable for the formulation of the Guidelines. Review of Development Cooperation between Uganda and Norway 1996-99 completed.

March 2000

Visit to Uganda and consultations with Government of Uganda, NGOs, the private sector, and other donors. Meetings with Norwegian stakeholders (companies, Norwegian Trade Council, NGOs, universities, research institutions and government agencies).

March-October 2000

Internal analysis in NORAD and the Norwegian Ministry of Foreign Affairs.

December 2000

Technical consultations between Uganda and Norway.

January 2001

Signing of Memorandum of Understanding between Uganda and Norway.

December 2001

Publication of the present Guidelines by Norway.

### Norwegian Development Assistance for Uganda, 1992-2000

