Analysing Relationships in Development Assistance for Health: A Case Study of Uganda

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Declaration by Candidate

I have read and understood the School's definition of plagiarism and cheating given in the Research Degrees Handbook. I declare that this thesis is my own work, and that I have acknowledged all results and quotations from the published or unpublished work of other people.

Signed: .....Dated:

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Abstract

Given a) the recent increases in the volume of aid for scaling up health interventions, b) the introduction of new aid modalities, and c) the growing interest to move towards a more results-oriented approach to deliver aid, this research seeks to better understand the relationship between Government and donors by assessing:

- The nature of the incentive structures embedded in the new aid mechanisms and how they are structured by the monitoring and compensation schemes (penalties and rewards);
- The motives (objective functions) of the organisations and individuals and how those shed light on the behaviours of the parties in the aid environment in Uganda;
- The appropriateness of thinking embedded in economics, particularly the agency theory framework when applied to understand the aid contract.

This investigation made use of qualitative methods (interviews, participant observation and documentary analysis) and a case-study approach.

Key findings were:

- Monitoring capacity and ability to assess performance was weak;
- There was a lack of high level commitment towards improvement of monitoring from Government and donors;
- Performance assessment was based on a subjective system and presented inefficiencies, which allowed for the distortion of the compensation scheme as penalties and rewards failed to be applied by donors vis-à-vis the Government;
- There were inter- and intra-organisational conflicting goals. Comparing stated and revealed motives, I found that there was less commitment towards health systems development by Government and aid effectiveness by donors than asserted by the parties.

This thesis contributes to knowledge by providing an in-depth understanding of the relationship between Government and donors in a country-specific setting. It shows that agency theory is a useful framework to analyse the motives of the parties as well as the incentive structures embedded in the aid contract (albeit with some limitations).

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List of Abbreviations

AHSPR	Annual Health Sector Performance Report
ANC	Ante-Natal Care
ART	Anti-Retroviral Therapy
CIDA	Canadian International Development Agency
CYP	Couple Years Protection
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCI	Development Cooperation Ireland
DDHS	Director of District Health Services
DFID	Department for International Development
DHS	Demographic and Health Survey
DMO	District Medical Officer
DP	Development Partner
DRC	Democratic Republic of the Congo
EmOC	Emergency Obstetric Care
EPI	Expanded Programme on Immunisation
EU	European Union
FP	Family Planning
FY	Financial Year
GAVI	Global Alliance for Vaccines Initiative
GBS	General Budget Support
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GHI	Global Health Initiatives
GoU	Government of Uganda
HDPG	Health Development Partners Group
HIPC	Highly Indebted Poor Countries
HMIS	Health Management and Information Systems
HPAC	Health Policy Advisory Committee
HRH	Human Resources for Health
HSSP	Health Sector Strategic Plan
ICC	Interagency Coordinating Committees
IDA	International Development Assistance
IDAH	International Development Assistance for Health

IMF	International Monetary Fund
IPH	Institute of Public Health
JICA	Japanese International Cooperation Agency
JRM	Joint Review Mission
KABP	Knowledge, Attitude, Behavioural Practices
KI	Key Informant
LTEF	Long Term Expenditure Framework
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MMR	Maternal Mortality Ratio
MoFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTR	Medium Term Review
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NHA	National Health Assembly
NHP	National Health Policy
NIE	New Institutional Economics
NMS	National Medical Stores
NORAD	Norwegian Agency for Development Cooperation
NPM	New Public Management
NRM	National Resistance Movement
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPD	Out-Patient Department
ORS	Oral Re-hydration Solution
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PEPFAR	President's Emergency Plan for AIDS Relief
PER	Public Expenditure Review
PHC	Primary Health Care
PNFP	Private not-for-profit
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Papers

QAD	Quality Assurance Department
RC	Resource Centre
RG	Recipient Government
RH	Reproductive Health
ROM	Results-Oriented Management
SIDA	Swedish International Cooperation Agency
SWAp	Sector Wide Approach
SWG	Sector Working Group
TA	Technical Assistant
ToR	Terms of Reference
UAC	Ugandan Aids Commission
UBOS	Ugandan Bureau of Statistics
UCMB	Uganda Catholic Medical Bureau
UDHS	Uganda Demographic and Health Survey
UMHCP	Uganda Minimum Health Care Package
UN	United Nations
UNEPI	Uganda National Expanded Programme on Immunisation
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UPPA	Ugandan Participatory Poverty Assessment
USAID	United States Agency for International Development
WG	Working Group
WHO	World Health Organisation
WHR	World Health Report

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Chapter 1: Introduction

1.1 Introduction

The role of Government is central for the functioning of health systems. In the context of low-income countries, other stakeholders, in particular development partners[2] (DPs), also play a crucial role in assisting governments with the financing and delivery of health services. Both actors, recipient governments (RGs) and donors, face immense challenges in their goals of improving the performance of existing health systems, in terms of efficiency, quality of care and equity.

This chapter sets the scene to both the aid debate in the health sector and the country studied, Uganda. Its particular concern is to present the overall changes in recent years in the area of development aid, which has been subject to greater focus, but also in the health sector and in Uganda.

Changes taking place in the aid environment reflect donors increasing concern with the effectiveness of aid (Adam and Gunning, 2002; Lavergne, 2002; Hecht and Shah, 2006; de Renzio, 2006). This is of even greater relevance given increased aid volumes (scaling up of aid) in recent years. For instance, the volume of International Development Assistance (IDA) to the health sector more than doubled in the past five years (World Bank, 2007). Pledges of more funds have been made internationally, such as during the meeting of the G8 countries in Gleneagles in 2005 (Collier, 2007; Riddell, 2007).

These changes have also been reflected in the way aid has been delivered at country level. New aid modalities have been introduced which co-exist with older ones. How these changes are impacting on the performance of specific sectors such as health is of concern, particularly in countries that have high levels of aid dependency. Uganda is an interesting case study as it is been at the vanguard of many of the new instruments and approaches introduced recently [e.g. the Poverty Reduction Strategy Papers (PRSPs) and the Sector Wide Approach (SWAp)].

The above issues signal the need for further investigation into how the aid relationship between RGs and DPs in the health sector is operating at country level.

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[2] Or donors – these terms are used interchangeably throughout this thesis.

This chapter is structured as follows: the next section describes the general context of aid effectiveness and then gives an introduction to aid reforms in Uganda. Section 1.3 provides the study's scope, aims, objectives and the structure of this thesis.

1.2 Background and rationale for this thesis

1.2.1 General context of aid effectiveness

Recent developments within the international aid architecture

More commonly in the past, projects were used to channel aid resources to a specific sector and/or programme of interest. In pursuing the goal of greater aid effectiveness, donors have introduced novel arrangements and approaches from around the late 1990s and early 2000s. These include the new aid modalities of General Budget Support (GBS) where funds are channelled to Government budgets (general or earmarked for specific purposes such as poverty alleviation interventions) and Sector Wide Approach where funds are pooled to support a sector (Hecht and Shah, 2006; de Renzio, 2006) (see below).

Yet, donors continued to use projects as a mode of aid delivery and calls ensued for greater harmonisation among donors of their activities as well alignment of their practices with those of RGs. For instance, in the Paris Declaration of the High Level Forum a number of commitments were agreed on aid effectiveness which aimed at shifting the behaviour of the agencies and highlighted the importance of ownership, alignment, harmonisation and mutual accountability (High Level Forum, 2005).

Part of the changes in the international aid environment was a paradigm shift from a focus on longer term economic development towards a greater focus on poverty reduction (Riddell, 2007). Poverty reduction was adopted as the centre piece of the aid policies of various bilateral and multilateral agencies (e.g. DFID, 1997; World Bank, 2001). This shift signalled a move away from a more equity-oriented and comprehensive approach of human and economic development towards a narrower approach focusing on the alleviation of poverty within a range of other problems that could be tackled, such as environmental protection. The fact that poverty is the most

basic development problem may underlie the consensus among the international agencies to concentrate efforts on poverty alleviation (Thomas, 2000).

In line with the new approach of poverty reduction, novel instruments of aid were introduced, which included, for instance, the Medium Term Expenditure Frameworks (MTEFs) and the PRSPs (Maxwell, 2003). The purpose of MTEFs is to shape the budgeting process according to a country's medium term priorities as opposed to historical trends. PRSPs were set up in the context of the Highly Indebted Poor Countries (HIPC) agreement and are based on the principles of country ownership, participatory process, conditionality for donors, and dynamic evolution over time (as opposed to a static plan) (*ibid.*).

The growing concern for aid effectiveness seems to have also been permeated by changes regarding the functioning of government and the introduction of ideas from the New Public Management (NPM) debate. The NPM debate advocates a clearer causal link between inputs and outputs and encourages the use of performance-related agreements, among other changes (Kaul, 1997). The instruments and measures of monitoring in the public sector have shifted their focus from inputs (mainly financial and human resources) and processes to outcomes (for instance the variation in literacy rates) (Paul, 1992). This shift is mirrored in changes in IDA by means of a commitment to Results-Oriented Management[3] (ROM) and the focus on international targets, to a large extent based on outcomes, such as the Millennium Development Goals (MDGs) as well as alternative delivery mechanisms more closely related to budget support than to the project approach (Maxwell, 2003). The MDGs are indeed a clear example of this shift. They are the result of an international consensus to reduce poverty and were chosen and agreed by all member countries of the United Nations in 2000.

In addition to the above, development partners and RGs turned their attention to other approaches, architectural forms and channels of aid in the health sector. For instance, new global health initiatives (GHIs) were launched. These can be differentiated between those focusing on advocacy, such as Roll Back Malaria and Stop TB, and those operating as funding bodies, such as the Global Alliance for Vaccines Initiative (GAVI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria[4] [5] (GFATM),

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[3] Other terms used in this context include "paying for progress" (Barder and Birdsall, 2006) or "results-based aid" (Gunning, 2005).

[4] Strong pressures at the international arena contributed to the establishment of the Fund. Significant points of pressure included, for instance, the summit meetings of the Organization of African Unity and

which involve a more visible participation of private sector organisations (Brugha and Walt, 2001; Brugha *et al.*, 2002). However, there is concern that the GFATM is addressing donors' priorities as opposed to those of RGs (for instance the fund activities match poorly the activities planned under the PRSPs) and that it focuses on short term responses to more complex problems of developing equitable and efficient health systems (Carlsson, 2001).

How all these different aid modalities and approaches are interacting at the country level is not very clear. Further, it is questionable the extent to which they are aligned to the recipient countries' priorities. At the implementation stage in recipient countries, all these international initiatives will either merge with existing national structures and priorities, or partially so, and positive and/or negative effects may arise. Newer aid modalities such as GBS and SWAp emphasize country ownership as one of their guiding principles (de Renzio, 2006). At the same time, priority areas like HIV/AIDS [e.g. through the President's Emergency Plan for AIDS Relief (PEPFAR)] or interventions such as the introduction of new vaccines promoted by GAVI are receiving earmarked contributions to be implemented via traditional project approaches or some intermediary form[6].

Key modes of international development assistance in the health sector

In the health sector, projects have been the traditional approach to deliver aid resources into certain priority areas or diseases at the level of recipient countries. Project aid using government systems *"provide[s] more specific earmarking of expenditures to a discrete set of activities for which coherent objectives and outputs and the inputs required to achieve them can be defined"* (Foster and Leavy, 2001). Projects often take the form of vertical or categorical programmes. Such programmes deliver health services through free-standing structures (as opposed to an integrated delivery approach) and are designed to address specific health conditions or disease with clear objectives within a limited time frame and often making use of a specific technology (Oliveira-Cruz *et al.*, 2003).

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the G8 countries, the European Commission's policy framework for addressing the burden of the three diseases, and the United Nations General Assembly Special Session on HIV/AIDS in June 2001 (GFATM, 2003).

[5] The fund is a partnership between the public and private sectors and its main objective is to raise and disburse funds to developing countries facing a high burden of these infectious diseases.

[6] For instance, via a special project within a ministry or district to carry out the specific activities or via contracts with the private sector.

Projects present both advantages and disadvantages. On the positive side, they can: provide swift responses to urgent health problems, as they often operate in an insulated environment and 'buy out' local constraints[7]; and be used as pilot experiences to test out innovative approaches before scaling up to the wider environment. In contrast, projects have been criticised for:

- Being defined by individual donors, without major efforts to coordinate with other DPs operating in the country, leading to fragmentation and duplication of efforts (Cassels and Janovsky, 1998; Lawson and Booth, 2004);
- Putting government resources, especially human, under pressure to respond to the different requirements of different DPs (Cassels and Janovsky, 1998);
- Having high transaction costs, which hinder the effectiveness of government systems (Lawson and Booth, 2004) and of aid more generally;
- Lacking ownership by national governments in deciding about priority areas (Cassels and Janovsky, 1998; Lawson and Booth, 2004);
- Lacking homogeneity of activities across the country as projects rarely cover the entire geographical area of a country or population group in their delivery strategy or in their scope, thus leading to inequalities in the distribution of benefits.

The new aid modalities, SWAp and GBS, evolved because of frustrations of the international community with the drawbacks of the project approach. They are characterised by a more comprehensive approach to aid delivery and to funding of activities in a given country. They are defined as follows:

- The SWAp is an approach where *"all significant public funding for the sector supports a single sector policy and expenditure programme, under Government leadership, adopting common approaches across the sector, and progressing towards relying on Government procedures to disburse and account for all funds"* (Foster *et al.*, 2000); and
- GBS is *"a form of programme aid in which Official Development Assistance (ODA) that is not linked to specific project activities is channelled directly to partner governments using their own allocation, procurement and accounting systems"* (Lister *et al.*, 2006).

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[7] Schmidt (1995) explains that donors have incentives to bypass or circumvent the central structures and operate directly via a project implementation unit or by contracting a non-governmental organisation (NGO) in order to avoid uncertainties regarding disbursement bottlenecks, onerous bureaucratic controls or layers of bureaucracy (complex, arbitrary and unpredictable whereas an ideal bureaucracy is the opposite of this).

The main difference between a SWAp and GBS is that the former is specific to a sector, such as health or education, whereas in the latter aid resources are not earmarked to any sectoral activity; they can be used to fund any type of government expenditure. The key principle underpinning these two new aid modalities is that they should allow RGs to coordinate development assistance in terms of policy design, strategic management, financial pooling, resource allocation, and common arrangements for Monitoring and Evaluation (M&E).

These new aid modalities are said to contribute to: enhanced donor coordination and harmonisation as well alignment with the RG's systems (Lister *et al.*, 2006); improved efficiency of public spending (*ibid.*); reduced transaction costs (Lister *et al.*, 2006; de Renzio, 2006); greater domestic accountability (*ibid.*); and increased ownership of policies and interventions by RGs (de Renzio, 2006). However, evaluations of the new aid modalities have only recently started to emerge (Koeberle *et al.*, 2006). Further evidence is still needed regarding the expected improvements from GBS or SWAp.

1.2.2 Country background with a focus on aid reforms in the health sector

This thesis focuses on the experience of Uganda and this sub-section provides a general background of the country in relation to development aid and in particular aid in the health sector.

Uganda was a UK protectorate until 1962 when it obtained independence. Since then and up until the late '80s the country experienced a period of internal conflict and considerable violations of human rights perpetrated by dictators (Obote and Idi Amin) and their use of the state machinery. Most of the country underwent a more peaceful time after the National Resistance Movement (NRM) overtook power in 1986. However, the Northern part of the country is still plagued by conflict due to resistance by the Lord's Resistance Army (a rebel group) to the NRM Government.

Yoweri Museveni, Uganda's president since the NRM took power, was considered a reform-minded leader and became *"a symbol of what was – during a short hopeful period – seen as the African Renaissance"* (Adam and Gunning, 2002). Under his presidency Uganda is argued to have enjoyed a good relationship with the donor community and through joint efforts to have led the way in relation to a range of

innovative approaches - such as being the first country to implement a PRSP (Lister *et al.*, 2006).

Uganda's per capita GDP[8] in 2004 was US$1,478 (UNDP, 2006). In view of the overall scarcity of domestic resources, the country has had to rely on the contributions of DPs to run a very significant proportion of its budget. Approximately 50% of total government expenditure in Uganda corresponds to IDA (Adam and Gunning, 2002).

As an aid-dependent country, Uganda has gone through the experience of projects in various forms; for instance, when implemented by DPs themselves, or by contracted-out organisations (for and not for profit ones), or by specific government units at national or local levels. Ssengooba (2001) notes that key reasons for adopting the project mode in Uganda are historical ones as well as weak national policies and structures.

Overview of aid effectiveness reforms in Uganda and linkages to the health sector

The Government's preferred mode of aid is GBS rather than project support (as well as grants instead of loans) (MoFPED, 2003d). Preference is based on the greater level of flexibility that GBS allows Government to deliver services. This should entail efficiency and ownership gains (*ibid.*).

Budget support, which was introduced in Uganda in 1998 (Lister *et al.*, 2006), occurs in two different forms, i.e. as general contributions to the budget of the Government or as earmarked contributions to the Poverty Action Fund (PAF). The PAF was created as a mechanism to channel the additional resources the Government received from the HIPC Initiative as well as to mobilise extra donor funding in line with the priority areas of the Poverty Eradication Action Plan (PEAP) - equivalent to a PRSP. The PEAP provides the overall framework of development for Uganda, thus guiding the formulation of public policies and resource allocation.

PAF resources are reserved to key government priorities with clear poverty reduction objectives. Main PAF expenditure categories include primary education, primary health care services, access to water and sanitation, agricultural services for poor farmers, and rural feeder roads. Resources allocated to PAF are protected from budget cuts both at national and district levels, given the need to safeguard

[8] In purchasing power parity.

interventions directly related to poverty reduction. PAF funds are provided to districts in the form of conditional grants.

Uganda receives budget support from various DPs. The number of partners moving towards budget support has also increased substantially over time. At the beginning of the first HSSP (spanning a five-year period from 2000/01 to 2004/05), there were five DPs using this mode of assistance: UK, Ireland, Sweden, Belgium, and the World Bank (MoH, 2003d). In Financial Year (FY) 2002/2003, Uganda received budget support from the following DPs: the previous five apart from Belgium, and the European Union (EU), Norway, Netherlands, Denmark, Austria, Sweden, France and the Canadian International Development Agency (CIDA) (donor support spread sheet, 2004). The contributions were either to the general budget or to the PAF but exclude loans and funds from the HIPC. The World Bank has provided GBS to the Government of Uganda (GoU) through the Poverty Reduction Support Credit (PRSC) since 2001 (World Bank, 2006).

As part of the growing focus on results (outputs and outcomes) and the overall goals in public management of improving efficiency, accountability and consistency of targets across sectors towards the PEAP objectives, the Government has introduced the Long and Medium Term Expenditure Frameworks (LTEF and MTEF), Outcome-Oriented Budgeting and ROM (Ssendaula, 2003). Other reforms elements of the budget process include: the Budget Framework Papers, which sectors prepare on a yearly basis for submission to the MoFPED ; the Public Expenditure Reviews (PERs), which take place once a year; SWAp and related structures and process. The latter is described below.

Uganda launched its SWAp for the health sector in 2000. The introduction of the SWAp was related to Government objectives of improving national leadership, efficiency and equity (MoH 2000b). Under the SWAp, the Government has been endeavouring to get DPs to discuss and agree on joint priorities for the implementation of the National Health Policy (NHP) and the Health Sector Strategic Plan[9] (HSSP). It is a flexible system in that it accepts other forms of funding (e.g. project mode) and not only contributions channelled through the sector or general budget. The position of the Ugandan Government is one of a holistic perspective

[9] The first comprised the period of 2000/01–2004/05 and the second follows this period for another 5 years.

which interprets SWAp as a platform for implementing the HSSP by bringing together all resources available in the country (Oliveira Cruz *et al.*, 2006).

In order to operationalise the SWAp partnership in Uganda, a number of structures and processes have been put into place, including those that facilitate the link between GBS and the SWAp. A summary description of these is provided in Tables 1.1 and 1.2.

Table 1.1: General Budget Support Processes linked to the SWAp

		Description
Budget Support Processes	*Public Expenditure Reviews (PER)*	This conference is organised by the MoFPED with the participation of DPs, Parliament, sector ministries, Non Governmental Organizations (NGOs) and others. The purpose of the meeting is to: consult and discuss adjustments to the allocation of public expenditure for the forthcoming FY and medium term; and to review budget performance during the previous year as part of the budget process. It takes place on a yearly basis (around May).
	Poverty Reduction Support Credit (PRSC) Reviews	This process reviews performance on the basis of agreed prior actions or undertakings as well as Government expenditures. This review focuses on the performance of the Government in regard to credits provided by the World Bank for the PRSP (PEAP in Uganda). The mission is led by the World Bank but with the participation of various other donors who use the outcomes of this review process so as to avoid duplication of efforts. It takes place on a yearly basis (around March).
	Sector Working Group (SWG)	The purpose of the SWG is to formulate and implement policies related to health financing issues, including mechanisms for financing the sector and allocation of resources. In particular, *the SWG discusses and reviews the Budget Framework Paper*[10] *as well as proposals of new health sector projects before submission to the Development Committee of the MoFPED* (Oliveira Cruz *et al.*, 2006). This process should allow for alignment of new investments in the sector with the health sector strategic plan. Meetings should be monthly but in practice they do not happen as regularly.

Table 1.2: SWAp-related structures and processes in Uganda

	Description		***Frequency***
Joint Review Meeting (JRM)	*A joint review of sector performance by Government of Uganda (GoU) and Partners (i.e. districts, Parliament, NGOs, private sector and donors).*	• *Joint visits to selected districts (chosen on a rotational basis, according to performance (low and high)) based on standard terms of reference with a view to assess progress on areas such as human resources, financial flows, information and management systems, and agreed technical priority areas;* • *Review of the Annual Health Sector Performance Report (AHSPR) (including district league table);* • *Use of the agreed PEAP indicators (health)*[11] *as the basis for progress assessment;* • *Discussion of proposals for the Budget Framework Paper / Medium Term Expenditure Framework priorities for the following financial year;* • *Discussion and agreement on undertakings (priorities), one or two priority programmes, and a tracking study for following year.*	*Annual (October) Used to be twice a year.*

Continued...

[10] Budget Framework Papers are prepared by each sector ministry in consultation with stakeholders (to be discussed in SWG meetings). This is part of the budget process in line with the PEAP objectives and the MDGs and forms the basis for the Macroeconomic Plan and Indicative Budget Framework Paper, prepared by the MoFPED, discussed and approved by Cabinet and submitted to Parliament around April of each year (Kassami, 2004).

[11] These are: utilisation of out-patient services in public and private-not-for-profit units, immunisation rates for DPT3, deliveries in health units, HIV prevalence rates, and proportion of posts filled by qualified staff.

Table 1.2 continued

	Description		Frequency
Technical Review	*Substitutes the previous arrangement of two JRMs per year. This meeting among stakeholders aims to review and discuss a specific technical issue agreed during the prior JRM. The 2004 technical review meeting will discuss the first draft of the HSSP (2005-2010).*		*Annual (around April)*
National Health Assembly (NHA)	*Involves a broad participation of district and central level, and civil society stakeholders. The purpose of the assembly is to act as a forum for building nationwide consensus and advocacy for the health development agenda in the country.*		*Annual*
Health Policy Advisory Committee (HPAC)	*Established as a forum to discuss and advise the MoH and DPs on the implementation of the NHP and the HSSP.*		*Monthly Started as weekly and goal is to have it quarterly.*
Working Groups (WGs)	*Initially created to prepare for the first HSSP and are now considered to play a key role in translating HSSP outputs into policies, plans and activities.*	*There are currently 9 WGs who report to HPAC:* • *Human resources for health;(HRH)* • *Drug procurement and management;* • *Health infrastructure;* • *Supervision and monitoring;* • *Basic health care package;* • *Public-private partnership in health;* • *Research and development;* • *Finance and procurement;* • *Health systems.*	*During JRMs and throughout the year as per programme of work (e.g. on a more regular basis during preparations for the second HSSP).*
Interagency Coordinating Committees (ICC)	*Bring together all implementing agencies and donors who support a particular programme, and other MoH departments, NGOs and districts.*	*The functions of these committees are to:* • *Define core interventions, review overall progress in implementation and agree priorities for programmes;* • *Coordinate projects and other forms of support to a specific programme;* • *Review workplans and budgets of the programme;* *Examples of existing ICCs include:* • *Reproductive health;* • *Expanded Programme of Immunization (EPI);* • *Malaria;* • *HIV/AIDS;* • *TB;* • *Sanitation is in the process of organising an ICC.*	*Quarterly*
SWAp Review Meetings	*Government and DPs Review the general status of the SWAp partnership and discuss specific problems.*		*Annual*
Health Development Partners Group (HDPG)	*Established to coordinate development partners working in the health sector in Uganda.*	• *Provide a forum for discussion on issues in the sector;* • *Enable partners to coordinate and assemble joint responses;* • *Serve as opportunity for members to communicate amongst themselves and with the MoH more effectively;* • *Function as a space to discuss issues related to HPAC;* • *Allow DPs to contribute more effectively to the JRMs in the health sector.*	*Monthly*
Partnership Fund Account	*A special bank account held by the MoH for implementation of SWAp and HSSP specific activities (e.g. the costs of the JRMs, tracking studies and technical assistance). Monitoring of the account is performed by HPAC. Expenditures from this account require the signatures of one representative of Government and one of the DPs.* *Contribution of funds to the account is made by DPs, which included Ireland Aid, the Swedish International Cooperation Agency (SIDA), the Norwegian Agency for Development Cooperation (NORAD), DFID, the Danish International Development Agency (DANIDA), and the United Nations Children's Fund (UNICEF) over the period of December 1999 to July 2003.*		

Continued...

Table 1.2 continued

	Description
Undertakings	*Undertakings are actions or processes agreed during a JRM between the GoU and DPs in a specific area to be given priority during the year. Progress towards the achievement of undertakings is reviewed during the following JRM. For a number of donors, successful outcome of the JRM and achievement of the undertakings determines the release of funds to the budget.*
Tracking Studies	*These studies are agreed during JRMs and progress related to the studies' recommendations are followed up by the HPAC. While these studies may be seen to have a quasi audit function, they are envisaged as a broader type of audit, answering questions such as 'why is it not working?' and 'where are the constraints?' Thus these studies allow an in-depth assessment of problems, formulate recommendations for action, and serve as opportunities to build consensus for these actions to be carried out, instead of functioning as narrow or internal types of audit.*

Source: Oliveira-Cruz *et al.* (2006)

Volume of international development assistance for the health sector in Uganda[12]

Contributions channelled by DPs as budget support to the GoU increased from US$227.17 million to US$275.1 million[13] between FYs 2000/01 and 2003/04 (MoFPED, 2001; MoFPED, 2002a; MoFPED, 2003a; MoFPED, 2004a). Project support to the health sector was estimated to total US$69.1 million in 2003/04 (HDPG, 2004a). This estimate referred to budgeted project contributions from 6 multilateral agencies and 10 bilateral ones. However, not all project contributions from the different DPs were reported (e.g. only one of the World Bank projects was computed and it also excluded information from the United States Agency for International Development (USAID). Another source reported the total budget of project aid to the sector to be US$61.5 million in 2003/04 (MoH, 2004c). This was based on a survey including 8 donors.

A decreasing trend of project support to the health sector occurred while a simultaneous increase of public funding[14] took place. The proportion of funding for the health sector financed through projects decreased from 45% in 1999/00 to 34% in 2002/03 in relation to the overall resource envelope for the health sector (Ssengooba *et al.*, 2006). This shift is argued to be mainly associated with various DPs channelling their contributions from project support to budget support (*ibid.*). While it is not possible to disentangle the overall amount of aid provided by donors as general

[12] Information for this section was collected during field work (2003/04). Hence, this represents the situation at that time. Moreover, there were great difficulties in reconciling the figures from the different sources. This was related to organisations not being forthcoming in sharing expenditure/budget information (see chapter 7 on motives).
[13] These figures included grants only (exclude loans).
[14] Government of Uganda budget, which included domestic funds and budget support contributions provided by donors to the country's budget.

budget support that was allocated to the health sector specifically[15], it is clear that the total amount of public funding for the health sector increased over the reported period. From 1999/00 to 2002/03 there was a rise of 18% in real terms (*ibid.*).

Yet, considerable inequalities and resource gaps persisted. Poverty, which had decreased substantially in the 1990s, increased from 34% in 2000 to 38% in 2003 (MoFPED, 2004f). The results of the second Ugandan Participatory Poverty Assessment (UPPA) suggested[16] health to be the main cause of poverty (MoFPED, 2002b). Moreover, the population growth remained one of the highest in sub-Saharan Africa at 3.4% per year (MoFPED, 2003b). While the LTEF (10 years time horizon) had indicated that the health sector was due to receive a larger share of the Government budget (MoFPED, 2004c), these projections had not materialised. The share of the health sector budget vis-à-vis the total Government budget was 6.5% in the period of 1997/98 to 2000/01 and in 2002/03 it increased to only 9% (World Bank, 2004a). Funding levels in the health sector of approximately US$7-11 per capita (including donor funding) were clearly not sufficient to cover a minimum basic package cost of $28 per capita (Ssengooba *et al.*, 2006).

In contrast to the trend mentioned above, from approximately 2003 onwards, the volume of project aid increased substantially. This was due to the approval of a number of grants from global health initiatives, mainly in the area of HIV/AIDS. The GFATM as well as the US PEPFAR formed the two largest GHIs in Uganda. The total approved budget by the GFATM to Uganda over 4 rounds totalled US$211.9 million[17] [18] (UGFATMP, 2004). This amount exceeded the entire budget for the health sector by the GoU (including budget support)[19] (Feuer, 2004).

Uganda was expected to be the recipient of about US$500 million over 5 years from PEPFAR, thus doubling US aid to AIDS in the country (Richey and Haakonsson, 2004). Among all beneficiaries (14 countries), Uganda was due to receive the largest amount, even though it had one of the lowest prevalence rates in Africa (Richey and Haakonsson, 2004; Rinaldo, 2004). Approximately 55% of these resources were budgeted for scaling up Anti-Retrovirals in the country. No funds were to be provided

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[15] Once the resources are channelled to the Government accounts they become an integral part of the overall resource envelope of the Government and are allocated according to the Government budgetary systems.
[16] As cited by respondents.
[17] This was before the cancellation of some grants in 2007.
[18] US$134 million for years one and two and US$77 million for year three.
[19] Not in any one year though.

directly to the Government (but to NGOs and private sector organisations)[20]. PEPFAR's budget for Uganda in 2004 was US$94 million (USAID, 2004). Approximately US$48.8 million reflected new resources contributed by the US Government to Uganda (or additional to their previous contributions). By February 2004, PEPFAR had disbursed US$37 million to Uganda (Richey and Haakonsson, 2004). This amount corresponded to about one-third of the budget of the MoH (excluding project support) for 2004/05 (MoFPED, 2004e).

1.3 Scope, aim, objectives and structure of the thesis

1.3.1 Scope

Within the aid effectiveness debate, it appears that the two most fundamental changes that deserve more in-depth analysis are:

1) The introduction of new aid modalities (GBS and SWAp), the emergence of GHIs, and the effects they have had on the relationship between RGs and DPs at country level. Particularly in view of the:

- Objectives of improving government ownership and aid harmonisation set out by the new aid modalities;
- Changes as to how funds from the new GHIs are delivered and how they may or not conflict with GBS and SWAp;
- Large volumes of aid disbursed by these different aid modalities and the strong political clout of GHIs such as PEPFAR.

2) The interest within the international aid community to move towards more results-oriented approaches of delivering aid (including having clearer targets and paying for results), once again of particular relevance given the context of increased volumes of aid.

These ideas of aid effectiveness and paying for results can be linked to the NPM approach which draws particular inspiration from economics. Within economics, New Institutional Economics (NIE), chiefly agency theory, can be used to understand relationships (between a principal and an agent). NIE/agency theory may help to

[20] PEPFAR funds were outside the Government budget predictions.

frame the relationship between RGs and DPs as a contractual arrangement. The value of such a framework lies in its ability to understand the incentive structure embedded in the aid delivery process (Martens *et al.*, 2002). This thesis is interested in how appropriate are the ideas of NPM, ultimately based on the agency theory framework, in regard to the changes of the relationship between DPs and RGs.

Two approaches could be taken: one would be to discover the nature of the agency relationships; another is to use the agency framework as a mode of analysis. Probing the nature of agency relationships is a means to understanding how new aid modalities change underlying processes and may change outcomes. In this thesis, I am using the framework to seek explanations for outcomes observed and the mechanisms that have been put in place. I therefore assume that agency theory offers through its conceptual framework plausible explanations in this context, rather than test the hypothesis of there being or not a principal agency relationship.

Uganda was chosen as a suitable case study. It is a low income country, with high levels of dependency on donor aid. In addition it has experimented with the various approaches and aid delivery modes proposed by the aid community (e.g. PRSPs, MTEF, GBS, SWAp).

1.3.2 Aims

The overall aim of this investigation was to better understand the relationship between RGs and DPs. More specifically, it assessed:

- How the relationship changed with the new modes of development assistance for health in Uganda: SWAp and GBS;

- The nature of the incentive structures embedded in the new aid mechanisms and how they were structured by the monitoring and compensation schemes (the system of penalties and rewards);

- The motives (objective functions) of the organisations and individuals and how these shed light onto the behaviours of the parties in the aid environment in Uganda;

- The appropriateness of thinking embedded in economics, particularly the agency theory framework when applied to understand the aid contract.

1.3.3 Objectives

The specific objectives of this thesis were to:

- Describe the existing monitoring mechanisms and how they differ in terms of focus (inputs, process, outputs, outcomes);

- Examine the effectiveness of the mechanisms, as understood by the actors, for monitoring performance;

- Seek to understand the implications of monitoring mechanisms for behaviour under the aid contract;

- Explore the nature of the compensation scheme (penalty-reward system) adopted under the new aid modalities;

- Assess how credible the penalties and rewards are from the agents' point of view and how the credibility affects their actions (incentives to under-perform);

- Assess how the parties understand the nature of the contracts (projects, SWAp, GBS) in terms of objectives or expectations.

1.3.4 Structure of the thesis

Chapter two reviews the literature on agency theory and presents its key concepts. The next chapter provides a framework for the study by seeking to explore the suitability of applying agency theory's main concepts to the area of International Development Assistance for Health (IDAH). While investigating the suitability of the concepts, the chapter also reviews the literature in IDAH. The fourth chapter outlines the study's design and methods. It applies qualitative methods and adopts a case study approach combined with an analytic narrative.

The results chapters were conceptualised by combining suitable theoretical dimensions from the analytical framework and analysing the data set obtained vis-à-vis the structure offered by the framework. The first results chapter (five) reviews the monitoring environment in Uganda. In a contract, one of the most common modes of obtaining information on the behaviour of the contracted party is by monitoring it. The following chapter (six) reviews the performance appraisal system as agreed between the parties and examines how the compensation scheme (penalties and rewards) operates. The final results chapter (seven) considers the motivations of the parties in entering into the relationship, from both an individual and an organisational perspective.

The last two chapters (eight and nine) provide a discussion of the thesis' main findings and its conclusions.

Chapter 2: Literature review

2.1 Introduction

This review assesses the plausibility of NIE, more specifically agency theory, as a conceptual framework to throw some light on and provide a better understanding of how DPs and RGs interact.

Key papers, books and reports were reviewed and are discussed here with the above aim as a backdrop. The searching strategy involved: consulting of economics (NIE) text books and papers; following up of relevant material in reference lists of books and papers reviewed; consulting with experts in the area; and consulting of some internet sources (e.g. the Center for Institutional Reform and the Informal Sector (IRIS), Department of Economics, University of Maryland – www.iris.umd.edu/forum/papers.asp and the World Bank – www.worldbank.org).

Following the review of the main concepts of agency theory, a concluding paragraph presents the identified knowledge gaps in the area.

2.2 Understanding New Institutional Economics - Agency theory

Given the background described in the previous chapter and the kinds of issues outlined in relation to the aid environment, a theoretical framework that seemed to fit the kinds of questions underlying the study area was NIE. Within this branch of economics, agency theory appears to be particularly valuable for shedding light on the inter-relationships between key groups of actors. As noted in the introduction chapter, agency theory could help to understand issues in international development aid by framing aid as a contractual arrangement.

The use of agency theory as a conceptual framework to analyse relationships in the health sector has become well established since Arrow's contribution in 1963. The application of agency theory in the sector has grown since then. Recent contributions include, for instance, a study of hospital-based doctors in China (Liu, 1999), the design of physician payment incentives in the USA by Robinson (2001), the role of performance measurement in health care in the UK (Mannion and Goddard, 2002;

Goddard *et al.*, 2000) and the application of the principal-agent model to key elements of the health care systems (Smith *et al.*, 1997).

Agency theory has been used to further analyse the area of development aid, in more general terms – at times explicitly (Zinnes and Bolaky, 2002; Martens *et al.*, 2002; Svensson, 1997) and sometimes only implicitly as in the case of the World Development Report in 2004[21] [22] (World Bank, 2004c). It has also been applied to more specific aspects of the relationship between RGs and DPs, as for example in relation to: aid as an interaction between incoherent agents (Mackinnon, 2003); the use of performance indicators in the design of aid contracts, though only implicitly using an agency theory framework (Adam and Gunning, 2002); and to conditionality contracts (Killick, 1997), which as argued by Martens *et al.* (2002) are inherently about principal-agent relationships.

Yet, there is a lack of empirical evidence relating to the micro-institutional relationships in international aid organisations (Martens *et al.*, 2002) and the discernment of the multiple stages of the aid delivery process and the many involved actors (principals and agents) with various (and often conflicting) objectives and constraints (Zinnes and Bolaky, 2002). Within the broader area of international development aid, as pointed out by Martens *et al.* (2002), it is surprising that so few studies in this area have examined the incentive environment of the aid implementation process (through the explicit use of agency theory). Most instead have focused on the performance of recipient countries. The authors noted that the results of evaluations in this area have repeatedly shown: "*that aid programme performance was not only determined by the particular circumstances of individual project managers and recipient countries but also – and perhaps predominantly – by the incentives embedded in the institutional environment of the aid agency and its aid delivery process*".

2.2.1 Basic model or single model

Initial contributions which later led to the complete development of agency theory can be traced back to Kenneth J. Arrow. His work on the general equilibrium model of

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[21] It referred to agency theory by framing relationships in terms of accountability which involved five key elements: delegation, finance, performance, information about performance, and enforceability.
[22] However, the theme paper for the report (Devarajan and Reinikka, 2002) explicitly acknowledges the use of elements from agency theory to develop the analytical framework for the report.

competitive economies with uncertainty (cited in Stiglitz, 1974) and the study of the health care industry and its special economic problems, such as moral hazard (Arrow, 1963), have provided key elements for the development of agency theory, which were taken forward by Ross (1973), Stiglitz (1974) and Jensen and Meckling (1976). Since then the study of agency theory has grown considerably, enriched by inputs of authors such as Holmstrom and Milgrom (1991) and Dixit (1997). And in more recent years, agency theory has received the denomination of incentives theory (Laffont and Martimort, 2002).

The following account of the basic model of an agency relationship draws heavily on Arrow (1985), who provides an overview of the conceptual framework as well as the works by Ross (1973) and Stiglitz (1974; 1989).

The basic model of an agency relationship comprises two individuals, i.e. a principal and an agent. In this relationship, there is always an explicit or implicit contract between the parties, and as in any contract, principals use incentives to guide or to motivate the agent's actions towards agreed desired outcomes. The principal will contract and pay an agent who will implement an agreed task or implement a series of activities leading to the production of outputs. The compensation scheme agreed between the parties shall establish the fee schedule (penalties and rewards system, whereby the agent may be rewarded for good performance and penalised for bad), and conditions. Given relationships between objective functions, information, action, randomness and performance, a key agency problem is how best to structure the compensation scheme from the principal's point of view.

Agency relationships arise in various circumstances of economic and political lives, where a principal delegates certain tasks to an agent. Examples of principal-agent relationships include the case of an employer-employee contractual arrangement, a sharecropping scheme between a landlord-worker, the relationship of the shareholders of a company with their chief executive officer, and the representation system in democracies between constituencies and their elected politicians.

Central elements of agency theory are the conflicting objective functions between principal and agent and information problems. As put by Laffont and Martimort (2002): "*delegation of a task to an agent who has different objectives than the principal who delegates this task is problematic when information about the agent is imperfect*".

Thus, delegation is at the core of an agency relationship. An agent is delegated a task where a principal cannot him or herself carry out the task (Martens *et al.*, 2002).

With regard to conflicting objective functions, in an agency relationship both parties, principal and agent, have independent utility functions and act so as to advance their expected utility. In this respect, there are two important constraints: the participation constraint and the incentive compatibility constraint. In the participation constraint, "*the principal must choose a fee schedule that offers the agent a utility at least equal to what he or she could achieve in other activities*" (Arrow, 1985). In view of the opportunity costs for the agent, the principal has to provide powerful enough incentives for the agent to accept to enter into the relationship or contract. In relation to the incentive compatibility constraint, incentives are needed not only for the agent to choose the employment but also to advance the principal's interests within that employment. Hence, there should be a certain level of compatibility between the advancement of the principal's utility and the agent's maximisation of his/her utility.

Information problems, characteristic of agency relationships, refer to asymmetry, uncertainty and risk. With respect to information asymmetries, Williamson (1985) defines them as the situation where one party has access to information that the other does not. The agent may have information that the principal does not and it is not in the agent's interest to share this information with the principal. If the agent has private information and/or information about the state of nature which is relevant to the contract's expected output, he or she has no immediate reason to reveal this information (MacDonald, 1984).

Uncertainty is defined by Williamson (1985) as the situation where individuals are not able to predict all the possible outcomes of an action or circumstance and their related probabilities. In addition, he associates uncertainty with *bounded rationality* (limited cognitive ability and scope to foresee and plan for eventualities), information asymmetry and to randomness. Uncertainty is an important element of agency theory as it compounds the problem of measuring outcomes, which can be the basis for a compensation scheme.

Risk bearing is inherent in a principal-agent relationship. While the principal tends to be risk-neutral, the agent tends to be risk-averse (Strong and Waterson, 1987). Such a stand in regard to risk on the part of the agent is related to the result of its efforts being part stochastically determined (MacDonald, 1984). Thus, penalties and rewards

serve the function of allocating risk, and when the agent is risk-averse, effective incentives are needed in order for the agent to bear unwanted risk (Holmstrom and Milgrom, 1991). This will depend on various circumstances (such as the nature of the contractual arrangement between the parties, expected outputs, etc.), but in general it is very complex (sometimes impossible) to identify effective incentives to motivate agents to bear unwanted risks.

The two main categories of information problems analysed in the economics literature are: moral hazard, also called hidden action, and adverse selection, or hidden information.

Moral hazard is defined by Strong and Waterson (1987) as the situation "*when the principal and agent share the same information up to the point at which the agent selects an action, but thereafter the principal is only able to observe the outcome or payoff, not the action itself*". A classical illustration of moral hazard comes from the insurance market, where the agent may take more risks or a hidden action because the principal may not be able to observe it. Mussa (2002) gives an example of a best and worst case scenario of fire insurance. At best, the insured might put less effort and expense to control risks to his/her property because he/she knows that losses will be covered by insurance. At worst, the insured might overstate the value of his/her property and subsequently arrange for its destruction to collect the insurance.

An individual's action is influenced by the inputs he or she devotes to the task, whereby inputs are understood to encompass time (number of hours) and effort. Although the definition of effort provided by Stiglitz (1974) is somewhat loose, it includes various dimensions that affect output, such as the pace, thoroughness, efficiency and inventiveness of an individual. Both time and effort are difficult to ascertain but more so the latter. According to Arrow (1985), the effort of an agent is the most typical hidden action. While the effort represents a disutility to the agent, it contributes to a positive outcome and is thus in the interest of the principal. Contracts could specify the agent's provision of both time and effort or output and effort. Yet, this may not be worthwhile because there are cases where the principal cannot observe or verify the effort, even though it may be able to observe performance. The relationship between effort and performance is permeated by the element of uncertainty (a random variable).

As for adverse selection, this refers to the situation where the agent has private information and uses it for taking an action or making decisions while the principal can observe the action and outcome but has no access to the information used by the agent (Arrow, 1985). To illustrate this point I give an example from the insurance market. When a person decides to buy life insurance, he or she, usually has a higher level of information about her or his risk of a young death than the insurance company does. Hence, the person can decide to take an insurance policy on the basis of the risk information and in this case the insurance company is left with an *adverse selection* of insured members.

The agency literature has also been concerned with the distinction between observability and verifiability. A variable can be observed by the principal and the agent but it may not be verified by a third party, for instance a court of law (Stiglitz, 1989) or an auditor. This has important implications in relation to the extent to which a contract can be enforced or not. While Stiglitz (1989) and other authors such as Guesnerie (1990) see the problem of unverifiable actions as part of hidden action, Laffont and Martimort (2002), in a more contemporary approach to the issue, consider this as a third category of informational problems.

The design of effective incentive schemes (compensation contract) is an intricate exercise. Corporations and public organisations alike face considerable difficulties when attempting to ascertain their agent's performance. Thus a key issue in relation to the design of incentive schemes refers to the question of what to base the incentives on, particularly in view of the kinds of problems mentioned above. Possible circumstances that make the design of incentive schemes even more complex, and have been the focus of analysis of principal-agent problems, involve cases when the actions performed by individuals, in this case the agents, are not directly observable or easily inferable by the principal, or at least not at low cost (cases which arise rather often); and, when the output produced by an agent is influenced but not totally determined by the agent's action (Arrow, 1985). In the latter case, the output is stochastically determined, i.e., it is a random variable whose distribution relies on the action taken by the agent. Thus, in circumstances where actions are not observable, they do not form the best choice of a basis for the incentive scheme. Consequently, alternative measures of the agent's performance need to be identified. Output is then the best alternative basis for the incentive scheme, when the principal cannot observe the action but can observe the output. Yet, this alternative is not free of problems, as uncertainty will make it difficult to distinguish the influence of randomness from the

effort of the agent. Furthermore, output-based incentive schemes transfer risks onto agents. This carries inefficiencies if agents are risk averse.

An additional problem that complicates the task of designing effective incentive schemes consists of what Hart (1990) defined as '*contract incompleteness*'. He argues that it is practically impossible to write complete contracts which could specify all possible eventualities of each party's obligation during the contractual relationship. Contract incompleteness is taken further by Williamson (1985) who points out some important behavioural assumptions in contractual relationships that help deepen our understanding of policy performance. These include, '*information asymmetry*', '*bounded rationality*', and potential or scope for opportunism (pursuit of self-interest with '*guile*').

Thus, the challenge of devising effective incentive schemes is vast. In addition, there is need to constrain perverse incentives and alter inadequate ones. A recent illustration of this challenge is provided by the Arthur Anderson and Enron scandals. Both shareholders and managers have strong incentives to present a positive picture of their companies and the purpose of auditing, in such cases, is to set limits on eventual abuses (Stiglitz, 2002). On the other hand, as evidenced by the incident with these American companies, auditors also need to be restrained from opportunistic practices. In fact, the crucial point in this case was that contracts produced to reconcile the interests of principals and agents were incomplete, i.e. contained perverse incentives that caused the collapse of the companies.

2.2.2 Dynamic models (multiple tasks and multiple principals)

An organisation or an agent is often responsible for the performance of more than one single task. Holmstrom and Milgrom (1991) developed a model where the principal has various different tasks for the agent; or several agents to perform the tasks; or a multi-dimensional single task to be performed by an agent. The model is based on the assumption that there are multiple tasks to be carried out or a single task is multidimensional and that the allocation of time and attention between them is essential. The authors show that if the principal provides incentives to one of the tasks or one dimension of the tasks, the agent's response is to divert attention away from the other tasks. In line with this, Dixit (1997) explains that in the context of large and complex organisations responsible for the performance of various tasks, "*the*

existence of some inaccurately observed dimension of outcome pulls down the power of incentives of all tasks".

The results of Holmstrom and Milgrom's model (1991) show that a range of instruments can be used by a principal to guide an agent's performance in one activity (and thus attempt to deal with the problem of multi-tasking), going beyond the option of how to pay for performance, considering difficulties in observability and measurement of tasks and outputs. The most important of these I detail below.

- The optimal incentive contract can be used to pay fixed wages regardless of measured performance where agents perform several tasks that compete for their time and effort. As Holmstrom and Milgrom (1991) put it, "*the desirability of providing incentives for any one activity decreases with the difficulty of measuring performance in any other activities that make competing demands on the agent's time and attention*". Further, contracts based on fixed wages may still produce results as workers may take pleasure in working up to certain level. However, the authors also recognise that work beyond that level shall require positive incentives.

- The optimal setting of policies can be used to limit personal business activities on company time. For instance, the principal may introduce restrictions as substitutes for incentives on tasks performed by the agent that represent too much of an effort or cost for the principal to monitor (and consequently to reward). In fact, where quality is difficult or impossible to measure, quantity incentives are regarded as inappropriate. In relation to the public sector, the authors note that "*the rigid rules and limits that characterize bureaucracy....constitute an optimal response to difficulties in measuring and rewarding performance*". An assumption built into the model is that it is easier for the principal to exclude an activity completely as opposed to monitor it or to limit its scope. For instance, it is easier, in terms of enforcement/monitoring, for an employer to prohibit the use of personal email accounts (such as a hotmail) in work computers (by making it inaccessible in the company's network) as opposed to limit its use during office hours to a certain number of hours per day.

- Job design can be used as an instrument to control incentives. For instance, the principal may choose the agent's portfolio of tasks: "*some employees specialising in activities that are hard to monitor and others in activities that are easily monitored. Separating tasks according to their measurability characteristics ... allows the principal to give strong incentives for tasks that are easy to measure without fearing*

that the agent will substitute efforts away from other, harder-to-measure tasks" (Holmstrom and Milgrom, 1991). However, even the authors recognise that the model oversimplifies the manoeuvring space of the principal to group tasks. For instance, it may not be possible to separate tasks, leading to high quantities from those leading to high quality. Moreover, grouping of tasks may not be feasible in situations of multiple principals (the issue of multiple principals is discussed in the next subsection).

Another option for principals, using job design strategies, is to vary limits and incentives for competing activities which differ in nature, i.e. individual or team production. Under the assumption that the individual contribution of an agent to team work would be difficult to measure, rewards for good performance on the individual projects would be risky (as the agent would shift time and effort to individual tasks at the expense of the tasks related to team work).

Where comparison among more than one agent is possible, an option is to use tournaments, to compensate performance on the basis of individual rankings. This option is also discussed by various other authors (MacDonald, 1984; Arrow, 1985; Stiglitz, 1989; Guesnerie, 1990). However, the value of individual rankings can be undermined in situations where choice of agents or providers is scarce or non-existent.

Holmstrom and Milgrom (1991) conclude that the design of an incentive scheme should take into account the analysis of the complete range of tasks performed by the agent as well as a range of instruments[23] to control the agent's performance, going beyond the decision of how to pay for performance.

As an illustration to this subject, one can think about the current reforms in the education sector (Holmstrom and Milgrom, 1991; Devarajan and Reinikka, 2002). Teachers are expected to perform a wide range of tasks such as provide literacy and numeracy teaching, support emotional and physical development, provide vocational advice and prepare children for working life, inspire citizenship, alleviate disadvantages of home life, assure an enabling environment for children to learn and grow. While for the teacher it is not a matter of excluding one task in favour of another, these different tasks do compete for their time and effort. In addition, the large majority of these tasks are difficult to measure due to their subjective nature.

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[23] For instance, to alter limits and incentives for competing activities or cluster related tasks into a single job.

Thus placing incentives on, for instance, higher scores on literary or numeracy may lead to diversion of teaching staff to these tasks to the detriment of less easy to measure tasks such as support to emotional development and inspiring citizenship.

Further to the dynamic model, a key contribution refers to the application of agency theory to the public sector. The debate in this sector has been enriched by the works of Tirole (1994) and Dixit (1996, 1997). They have analysed the multi-principal nature of governments where public organisations are accountable to a number of different constituencies which pursue different objective functions; in Dixit's words, they are "*common agencies*" with "*many principals*".

The different organisations forming part of a government have several different mandates such as revenue collection, resource allocation, service provision, and regulation. Estache and Martimort (1999) noted that "*as a whole, these principals, may have for a collective objective the maximization of the same social welfare function as that of a single benevolent regulator. However, each, single principal has only a limited mandate to fulfil*". Different agencies have the objective or mandate to increase the social welfare function of the people in a different sphere, while the government, which is constituted of the different agencies, has the overall responsibility to increase the general welfare function of the people.

To exemplify this, while a ministry of health is concerned with one aspect of the welfare of the population, to improve their health; a ministry of education is devoted to increase the educational level of the population, another aspect of the welfare of the people. Hence, both agencies are working towards the collective or common objective of a government (as a congregating body of several public agencies / organisations) of improving the social welfare function of the people. However, these agencies are also concerned with their specific objectives and have to compete for influence and resources in order to achieve their objectives.

Likewise, within the agencies, the same problem occurs, of the conflicts between contributing to the overall objective of the agency versus contributing to the specific mandate of the different units or departments. This trickledown effect can be interpreted as a series of layers in government structures, whereby various principal-agent relationships operate.

Additionally, as a result of the interaction of the various competing principals, incentives in public organisations will tend to lose power (Dixit, 1997), or to use Williamson's (1985) terminology, the incentives are low-powered. This happens because each principal attempts to take advantage of the incentives provided by the other principals as substitutes to maximise their utilities (Dixit, 1996, 1997). For Tirole (1994), contributing factors to low powered incentives in public organisations include the lack of comparison (competition) among agents and the heterogeneity of tastes of principals [the people and their various and changing (over time) objective functions].

2.2.3 Dealing with agency problems

The establishment of monitoring mechanisms is a natural response of principals in order to gain access to information on the agent's performance (MacDonald, 1984). Generally, in a contractual relationship, the compensation scheme is linked to some kind of monitoring strategy. However, the use of a monitoring strategy to assess the performance of an agent involves complex problems, which I discuss further in this document.

Performance is defined as the action or process of carrying out a set of duties (The Concise Oxford Dictionary, 1995) which should lead to a (series of) result(s). A somewhat different view of performance is provided by Liu (1999) who explains performance as related to how well or badly (the process) an action is implemented in relation to a target, "*it is a measure against the performance target*", which should be set by the organisation in line with its objective and/or vision. Kurowski (2002) refers to performance as a result of inputs, processes, and outputs and the association of these factors to planned outcomes. This leads to four categories of indicators, i.e., input, process, output and outcome (Zumeta, 2000; Kurowski 2002). Frequently, performance is measured by monitoring strategies that track an action (inputs used and process followed) or observe / verify an output or outcome of the action by using indicators. These indicators are defined as follows: input indicators measure all the resources (human, physical, financial, information and etc) used to produce a good, service or project; process indicators refer to the methods and or procedures used upon inputs to achieve the production of goods or services or project results; output indicators measure the quantity, and to the extent possible also the quality, of goods or services or the results of a project; outcome indicators measure the medium term

results of applying the outputs. Impact indicators are also sometimes used and measure similar elements to outcome indicators but with a longer term perspective.

However, it is important to highlight that performance indicators do not represent a direct measure of performance (Mannion and Goddard, 2002). They act as proxy measures and this has important implications, as discussed further in relation to problems of observability and verifiability.

As discussed earlier, the notion of effort, though not a category of performance indicator itself, permeates inputs and processes (Wilson, 1989 cited in Dixit, 1996); and hence influences outputs and outcomes. The difficulties in observing and/or measuring effort (because of uncertainty and multidimensionality) compound the monitoring exercise of the principal and the compensation scheme. In the case of hidden action, the principal can see the output but wishes to gain information on the action and possibly on the effort exerted by the agent. Arrow (1985) noted that "*if this observation,* y, *conveys any information about the unobserved action, a, beyond that revealed by the outcome,* x *... then one can always improve [the compensation contract] by making the fee depend upon* y *as well as* x".

Depending on the contract, more specifically the nature of the good or service or the delegated task and the interests of the principal, the focus of the monitoring strategy may lie on inputs, processes, outputs or outcome. But often monitoring strategies will be based on a combination of these categories. For instance, an audit although more directly associated with an input-based monitoring strategy (focus on verifying the inputs used in accomplishing a task or programme), often seeks to verify information beyond inputs and verify how the inputs were used (process) and the yields produced[24] (outputs). A further example of a monitoring strategy is the establishment of a reporting system. In this case, the agent will be requested to provide the principal with information on inputs, the process used to perform a task and the outputs produced. The reporting system is usually structured over a given period of time, depending on the length of the contract. Thus, progress reports will be required during the period of implementation of a task or production of a good. At the end of a

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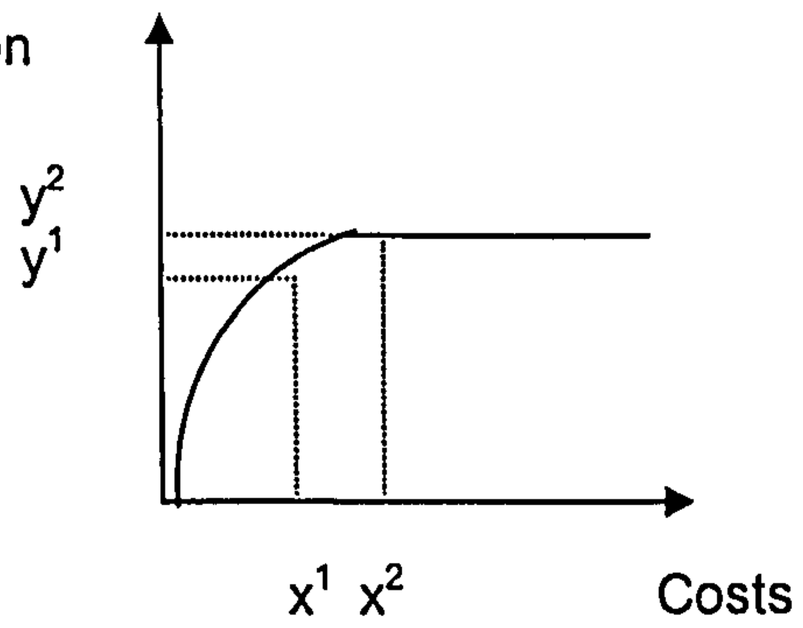
[24] Within the domain of public auditing and budgeting, Mikesell (1991 cited in Gershberg,1998) understands audit as a more encompassing strategy and identifies four categories of audits: "*(i) financial, which keep track of financial records and focus on legal compliance of expenditures (theft prevention); (ii) operational, which check the efficiency of management practices and the concomitant use of public resources; (iii) programme, which determine if programmes (and the mix of programmes) under a government agency achieve their goal in a cost-effective manner; and (iv) performance, which investigate the outcomes from specific programmes in detail to verify that the promised results are being achieved*" (Gershberg, 1998).

contract, a final report should be produced by the agent. With respect to monitoring strategies focused on outcomes, more complex approaches that investigate medium to long term impact are required. For example, a study can be carried out to measure the level of change in literacy rate in a given population over different time intervals. A variety of study designs can be applied and will depend on the nature of the activities, characteristics of the population and resources available. In general, base line studies will be needed to provide initial data for benchmarking. Alternatively a case control group may be constructed after implementation of a policy or programme in order to compare impact.

Monitoring is a costly undertaking but a strategy needed by principals to elicit information from agents. While no monitoring provides the principal with zero information, on the other hand, monitoring may give the principal access to some information but it is unlikely to provide the full range of information, knowledge and insights that the agent is endowed with. If principals want to have full information which requires the monitoring of every single aspect of the agent's activities, then monitoring becomes so costly that delegation of tasks becomes meaningless and the principal might as well carry out the tasks him or herself (Martens *et al.*, 2002). One can think of this problem in terms of diminishing marginal returns, where at zero cost no information is elicited, at cost X^1, the degree of information available is Y^1 and so on progressively. However, the cost of monitoring will reach a point where the marginal cost of information exceeds its marginál value to the principal. This is illustrated in Figure 2.1.

Figure 2.1: Cost of monitoring



While monitoring is costly for the principal, it is also likely to be costly for the agent. The monitoring strategy will involve opportunity costs for the agent, who will need to spend time and effort providing information to the principal or, at the minimum, getting

administratively engaged in the monitoring arrangements established by the principal. For instance there are "*estimates that a US weapons program manager must spend 30-50% of his time defending his project inside the Department of Defence and Congress*" (Fox, 1988 cited in Tirole, 1994). However, it is questionable whose cost this really is, given the participation constraint.

According to Propper (1995) and Whynes (1993), an agent's response to a performance monitoring mechanism is characterised by a change in the set of outputs, whereby the dimension of the ones being monitored will be increased and those not monitored will be decreased. This is in line with the multi-task model (Holmstrom and Milgrom, 1991) where the agent diverts its efforts to those tasks that are being monitored by the principal or that are being given higher incentives. As stated by Milgrom and Roberts (1992), "*when agent's actions cannot be easily monitored and their reports easily verified [by a third party], the agents have greater scope to pursue their own interests [or to engage in opportunistic behavior] rather than the principal's. Then to provide incentives for the agents to behave in the principal's interests, it is necessary to arrange for them to bear some responsibility for the outcomes of their actions and therefore to bear more risk than would otherwise be desirable*." Otherwise, the principal's utility will not be maximised, only the agent's.

In spite of the difficulties discussed above, in the public sector, monitoring plays a more important role because formal incentives, such as piece rate wages and bonuses, which are based on quantifiable performance measures, are difficult to assess due to the multiplicity of goals in government organisations, and incentives on measurable dimensions of public sector goals may jeopardise the non-measurable dimensions of social welfare (Tirole, 1994).

Finally, it is worth considering three additional options discussed in the literature for dealing with agency problems.

Repetition (also called infinite period models), i.e. situations of a contractual relationship over more than one period, may lead to ameliorated contractual results "*assuming that the agent has progressive information on the occurrence of the outcome [*actually information on the state of nature*] so that he can continuously adapt his action (here his effort) in the time interval where the relationship takes place*" (Holmstrom and Milgrom 1985 cited in Guesnerie, 1990). From the principal's perspective, repetition may allow him/her to compare the output of the agent over time

(MacDonald, 1984). In addition, repetition may help to alleviate hidden action problems. This may happen, according to Guesnerie (1990), because time may contribute to separate out uncertainty and allow for more precise knowledge of the average action taken (Guesnerie, 1990). An additional reason may be that the expectation of the contract being renewed or continued operates as an incentive for the agent. This shall maximise the principal's utility as the action will be adapted and potentially result in better outputs. However, it would be precipitate to conclude that a long term relationship would eliminate problems of hidden action (Guesnerie, 1990; McDonald, 1984). As discussed earlier, a point to consider here is the scope for verifiability (and related implications of enforceability) as it depends, in fact, if the action is revealed through multi-period relationships or not.

Another way of thinking about repetition is to use the notion of *relational contracts* developed by MacNeil (1978). He analyses contracts of long term duration as relationships overtime, as opposed to isolated (single) exchanges, which would be in line with the definition of classical contracts. Allen (2002) argues that trust and cooperation can play a crucial role towards effective relational contracts by substituting the lack of capacity, or actually impossibility, of writing complete contracts and specifying and monitoring fully the agent's performance in view of problems of uncertainty and information asymmetry.

Yet trust and cooperation may not represent the 'magic bullet' to contractual difficulties. The question is to what extent is it feasible to build trust so as to counter opportunism in dealing with agency problems given that each party in a contractual relationship is inherently interested in advancing his or her utility function. This begs the question as to how trust can solve the arising conflicts. In fact, Allen (2002) has shown in her study of the National Health Service (contracting for district nursing services in Greater London), that trust was non-existent in large measure and there was fear of opportunism occurring.

In long term relationships, parties (within the chain of principal-agent relationships in large organisations or where several organisations are involved) may develop knowledge about each other over time and learn about how to collaborate and build up a certain level of trust among them, which may give rise to a situation of 'accommodation'. The negative side of this familiarity is that shirking and bribery may take place, especially in large organisations (collusion of middle managers as principals and agents), in the presence of contract incompleteness, and where the

monitoring or supervisory body may have been co-opted by the agent for mutual benefit at the expense of the principal. The two may (falsely) present success in the absence of the principal having an independent monitoring capacity. The other negative side of long term relationships is the associated transaction or administrative costs to changing the agent. Thus principals may not consider renewals of contracts by means of bidding processes because of such costs.

A further option considered is the use of *reputation* as a mechanism for contract enforcement. Stiglitz (1989) postulates that in this case "*good behaviour may be enforced so long as the state is observable by both parties*". At this point the discussion of observability and verifiability is once again pertinent. For instance, for the continuation or repetition of an existing relationship, observability is of greater relevance, while verifiability will be more important when an agent's reputation needs to be verified by a third party via the agent's existing or previous contractual relationships.

Finally, dismissal or *termination*, i.e. the cessation of the contract or relationship, may be considered as a way to deal with serious agency problems and limitations in the incentive scheme (Arrow, 1985; Stiglitz, 1989), particularly when other options such as close monitoring, repetition, reputation and the effectiveness of penalties have failed to solve agency problems. A question to bear in mind is whether principals will know that other options have failed given problems of observability and verifiability.

The above options may work in some settings or circumstances, or not, and they need to be analysed in the overall context of the various feasible options or the scarcity of these. For example, in environments with short supply of agents, principals may have to consider more sophisticated alternatives than contract termination. In any event, if agency problems are intrinsic to the nature of the transaction, they apply to the next contract as well. This suggests that the principal needs to rely more on the development of innovative incentive schemes and monitoring strategies or to avoid delegation of tasks to an agent, which is often not possible. In other words, agency costs are not avoidable but only minimisable.

2.3 Concluding remarks

This review provided a brief justification for the choice of agency theory as a possible framework to analyse the relationship of DPs and RGs. It highlighted that the application of agency theory to the health sector is now well established. However, it found that agency theory has only recently started to be used to further understand the dynamics of the aid delivery process. It revealed that studies in the area have focused on the behaviour of recipient countries and not on the incentive environment faced by both recipient and donor organisations.

The review presented the basic model of an agency relationship. It also examined the dynamic models including multiple tasks and multiple principals. In addition, it outlined various options for dealing with agency problems, the most common one being the establishment of monitoring mechanisms. Other options were: the use of repetition, reputation and termination.

As of yet, agency problems (conflicting objective functions, incentive structures, difficulties in observing and verifying the performance of agents) have not been thoroughly assessed in relation to IDAH. The application of agency theory to this sector (health) is of particular relevance as health outcomes are determined within a complex scenario of uncertainties and various contributing factors. These complexities enhance the difficulties in monitoring and measurement, which instigate the use of principal agency theory to understand the explicit and implicit incentive structure of the aid contract. This reinforces the idea that agency theory seems a plausible framework worth exploring in depth as one possible approach to study this subject area.

Chapter 3: Understanding aid effectiveness in the health sector through the lens of agency theory: a conceptual framework

3.1 Introduction

In this chapter I explore how the literature on IDAH, with a focus on monitoring issues, relates to agency theory concepts (by reviewing the former and discussing it in relation to the latter). By doing this, I highlight the key elements within agency theory that help to construct the guiding analytical framework for this study. Some concluding remarks are presented in the last section of the chapter.

3.2 Nature of the aid contract

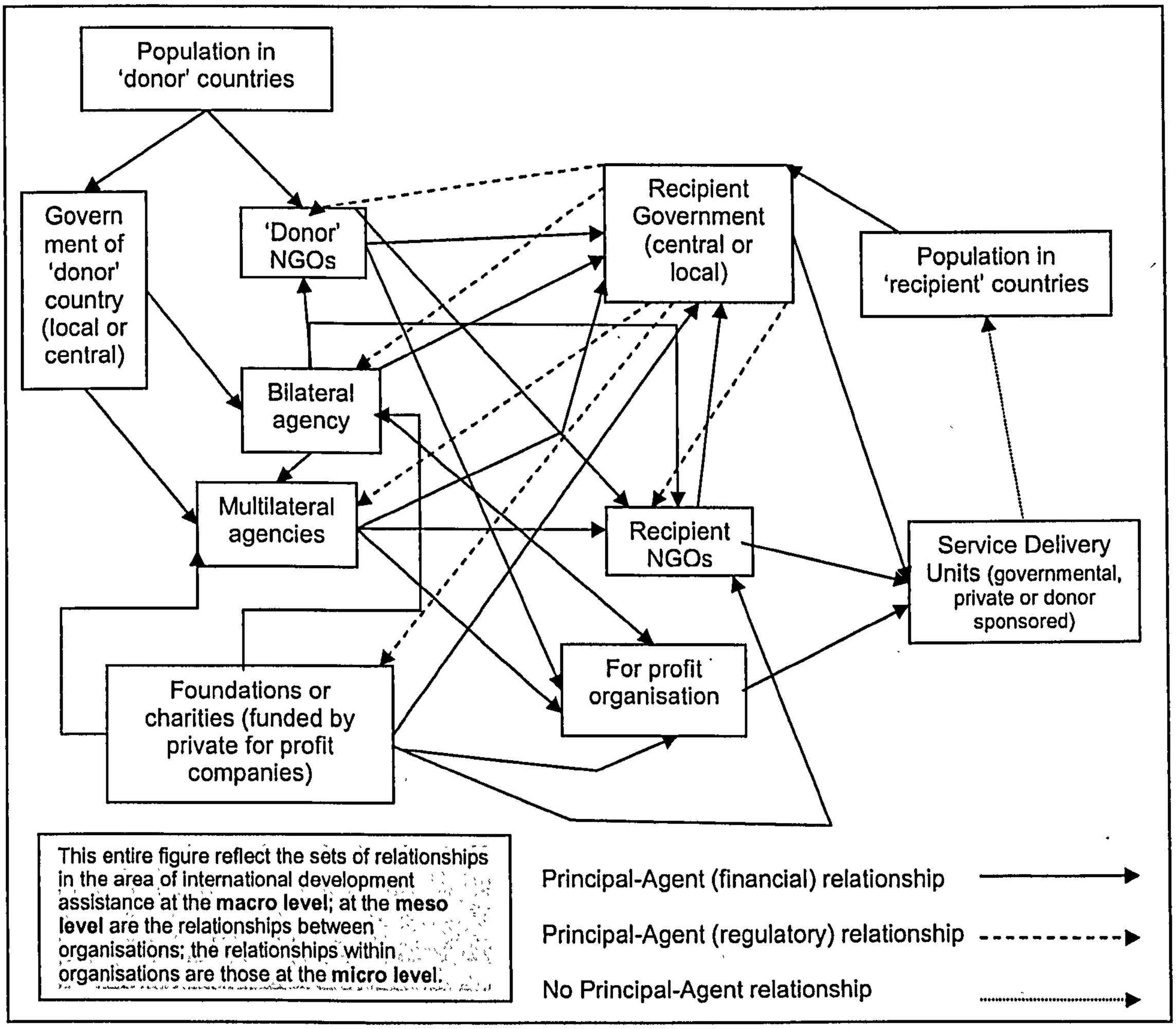
In IDAH, the nature of the contract will vary widely, but will tend to be rather implicit, and one can construe the modes of IDAH outlined previously, such as SWAp, as an example of such contracts. As put by McPake *et al.* (2002), "*where these contracts and incentives are implicit, it is interesting to consider their nature and effectiveness... the systems are often subtle and may be unobservable to outsiders... they are sometimes hidden in the trading of political favours... which may not be written down.*"

3.3 Types of principal-agent relationships and level at which they operate

More generally, in IDA there will be various sets of principal-agent relationships between and within the involved organisations (Zinnes and Bolaky, 2002), through multiple layers of delegation (Martens *et al.*, 2002). Figure 3.1 shows the main sets of principal-agent relationships between organisations in IDA. For instance, a bilateral aid agency acts as an agent on behalf of its government, which acts as the principal towards a recipient government or an NGO (either an NGO from the 'donor' country or from the recipient country) or even a subcontracted for-profit organisation. This is the case of DFID – a bilateral agency acting as an agent on behalf of the Government of the UK. In this case, the government of the UK will also be acting as an agent on behalf of UK citizens, which are the ultimate principals in this chain. Another illustration of a principal-agent relationship includes the one between a multilateral agency and the 'donor' government. In this case, the agency acts as the agent and

the government as the principal. At the same time, the multilateral agency acts as a principal towards a recipient government or NGO. A further example of a principal-agent relationship refers to the recipient government which acts as an agent on behalf of a bilateral and/or a multilateral agency and/or a 'donor' NGO. The recipient government also acts as an agent on behalf of its citizens. In the case of a decentralised government, the central or national government acts as a principal towards the local government. A final illustration of a set of principal-agent relationships involve the private sector, where companies can set up a charity or foundation which delivers aid to recipient countries. The foundation acts as an agent on behalf of the company or persons that fund it. On the other hand, it also acts as a principal towards recipient governments or NGO or multi- and bilateral agencies. An example of such a set up is the Gates Foundation, which is an increasingly important actor in IDAH with respect to the volume of aid it provides.

Figure 3.1: Sets of principal-agent relationships in international development assistance



McPake *et al.* (2002) suggest that there are cases when agency relationships function in both directions between the parties. As mentioned above, Figure 3.1 shows when DPs act as agents on behalf of their governments. In addition, one could also interpret DPs to be acting as agents *vis-à-vis* RGs. In this case the argument would be that the principal, RGs, hold resources that DPs are interested in, i.e. RGs offer access to the country and population groups where DPs can carry out their aid activities and thus disburse the funds which they are supposed to on behalf of their principals (governments in 'donor' countries). Standard agency theory presumes penalties and rewards to be centred on financial incentives. Figure 3.1 shows this through the continuous lines. When RGs act as principals vis-à-vis a DP, they "incentivise" DPs by means of regulation. This is depicted in the above figure through the dashed lines. The dotted line represents the absence of a principal-agent relationship.

Zinnes and Bolaky (2002) identified three different levels of analysis for the study of the aid environment: the macro, meso and micro levels. The sets of principal-agent relationships in international development assistance shown in figure 3.1 represent the macro level. This level encompasses the entire set of organisational actors (e.g. donor governments, donor agencies, recipient countries) the aid package (e.g. the interventions to be delivered, the required resources) and the institutional environment (e.g. the constitutions / legislations in donor and recipient countries, the memorandum of understanding or contract between the parties, budget frameworks). The meso level involves the aid organisations as actors and focuses on their interests and institutional rules/games. Analysis at the micro level addresses the incentives and games that individuals within organisations have to deal with.

Also shown in Figure 3.1 is the lack of a direct link of relationship between what are supposed to be the two main actors in the chain of IDA. These actors are the population in 'donor' countries, the taxpayers that finance the bulk of foreign aid, and the population in the 'recipient' countries, those that are the ultimate beneficiaries of aid. In between them, there are several organisations and layers of national and international bureaucracy and delegation, with various actors in the functions of principals and agents. As the link between these two population sets is intermediated by various other actors, it is a weak and vague relationship in terms of accountability. Martens *et al.* (2002) call this the broken feedback loop. While beneficiaries of aid may be able to observe the action of the agents, they are not entrusted to influence the incentive structure of the aid contract. The population in the 'donor countries' have to rely on their agents (bilateral or multilateral or NGOs) to observe the performance

of delivered aid. However, as discussed previously, actions are often not observable, agents have no immediate reasons to reveal private information and there are inherent complexities in measuring performance.

The broken feedback loop issue may be less problematic in the case of aid being delivered through pooled arrangements. These arrangements make use of existing recipient government accountability mechanisms which are often far from perfect but are the focus of improvements as part of the implementation of a SWAp or GBS (at least in theory).

Although the population in the 'recipient' countries are the ultimate beneficiaries of aid, they are actually only the indirect beneficiaries. The agents in the principal-agent chain of the relationships of aid are, in fact, those organizations and actors that are located in the middle area of the boxes and arrows in Figure 3.1. They are the domestic suppliers of goods and services in IDA, i.e. consultancy business, independent professionals, suppliers of products. They are considered the agents (direct beneficiaries of aid) as they are the ones that receive the contractually agreed rewards and have direct influence on the domestic political actors (Martens *et al.*, 2002).

Finally in regard to Figure 3.1, it is worth noting that new aid modes offer the opportunity of changes in the nature of the principal-agent relationships (content of the arrows), as the incentive environment can be altered, but not the direction of relationships (direction of arrows).

3.4 Conflicting objective functions

As discussed in the preceding section, penalties and rewards are used to influence agents towards agreed outcomes between the parties. The agreement between the parties may, ultimately, be congruent, and in the area of IDA, should be along the line of the overall goal of alleviating poverty and fostering socio-economic development, by means of the implementation of specific policies and improved delivery of services. However, as presented in chapter 2, agency relationships are characterised by conflicting objective functions. Hence, the objectives pursued by DPs and RGs may in practice, and routinely, not be completely in line with the overall goals agreed in a contract.

What one organisation and its set of actors may be pursuing, at one point in time, is not always the same as another organisation and its set of actors. DPs may be willing to provide aid motivated by commercial and foreign policy objectives[25] (White, 1998; Kanbur *et al.*, 1999; Martens *et al.*, 2002; Robinson and Tarp, 2000) which leads to favouring of certain countries over others (Walt *et al.*, 1999a). Alternatively, the international agency (e.g. GFATM) may be under the influence or be the result of a new world trend or fashion, as for instance pursuing a focus on infectious disease [which could be linked to the motivation of donors to provide aid in view of externality problems (Kanbur, 2003)].

On the other hand, a policy priority of the recipient government may be to strengthen local health services and improve coverage and quality of Primary Health Care (PHC). Then again it may be influenced by a systemic patronage system and a need to deal with national economic and political priorities (Walt *et al.*, 1999a). In this sense, there may be a conflict of objective functions, and differing objective functions give rise to agency problems.

In addition to competing priorities and differing objective functions between organisations, there are also conflicting ones within organisations. In other words, one needs to distinguish the inter- and intra-organisational conflicts between different principals and among them.

With respect to inter-organisational conflicting goals, actors (in this case, more specifically, aid officials) are guided by their organisations' overall institutional vision and mission (when these are clear, as mentioned later). For instance, the specialised team within an agency, such as the health group in the World Bank, pursue the goal of getting loans approved and funds disbursed for projects in the area of health sector reform for example. In contrast, the government may think that the priority for investment is to concentrate efforts on a specific disease. Hence, in such a context,

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[25] While political, strategic and commercial motives in the allocation of aid seemed to have constrained more effective aid allocations, DPs are driven by other motives as well and not all donors tend to be so strongly driven by the same objectives. For instance, existing evidence suggests that while the large donors tend to provide aid to a great extent based on strategic and political goals (e.g. USA and Japan), smaller donor countries (e.g. Scandinavian countries) tend to align their aid allocations more closely with the objectives of the recipient countries or pursue more altruistic motives such as poverty reduction (Hjertholm and White, 2000). There are, however, exceptions as shown by Ostrom et al (2001 cited in Martens *et al.*, 2002) in the case of Sweden which tends to pursue more commercial interests when allocating aid.

incentives are needed to align the objective functions and guide the agent's behaviour towards the advancement of the principal's utility.

Regarding intra-organisational conflicting goals, aid officials, besides handling their organisation's vision, are also motivated by their own objectives and ambitions. They have strong incentives to pursue such goals as maintaining the flow of lending projects (or aid more generally) as it underpins their jobs and may advance their careers within the aid agency (Collier, 2002; Kanbur, 2003). Alternatively, they may strongly invest (or advocate) for one particular programme, even if that programme is not necessarily of high priority for the recipient country. On the side of recipient governments, public servants may think that their primary objective is to generate per diems to top up their low salaries[26].

As pointed out, IDA organisations are often not clear about which institutional vision and mission they are pursuing. This is illustrated by their conflicting objective function: if the promotion of long term development in recipient countries or the advancement of the interests of domestic suppliers, as is the case with USAID when it ties aid to specific American suppliers (Azfar, 2002).

3.5 Dynamic model (multi-principals and multi-tasks)

As discussed earlier multiple tasks and multiple principals pursuing a variety of objectives are pervasive in public and large organisations (Dixit 1996, 1997; Tirole, 1994; Holmstrom and Milgrom, 1991). As aid agencies are in general large organisations and operate in a public administration environment (not for profit), they also face similar problems that arise in such contexts (Martens *et al.*, 2002). An exception is the private companies often subcontracted to deliver services or consultancies. For example, USAID is an agency that often uses such private companies.

DPs when acting as agents are accountable to various constituencies and their interests. For instance bilateral agencies are accountable to a range of principals in government (different layers within executive and legislative branches of the public sector) and multilateral agencies are accountable to a series of principals in different

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[26] And they may actually be responding to perverse incentives provided by donors who are prepared to offer staff supplements, fund training activities and vehicles which encourage rent seeking and patronage (Foster and Leavy, 2001).

countries (member states of the international organisation) where again there are various layers of delegation within their governments (Murrell, 2002).

DPs operating in a country also face the multi-principal dimension of the recipient agencies which are accountable to a variety of constituencies. For instance, at the central level, disease-specific programmes within the MoH are likely to be accountable to the policy and planning department (or unit with equivalent function) - which if the country operates a SWAp or GBS will be responsible for coordinating aid - as well as to different DPs if these are operating vertical programmes. Further, if one takes the perspective of a local government in terms of the multiplicity of principals, they may include the central government, donor NGOs, local population, multi- and bilateral agencies, and in end effect also the tax payers in 'donor' countries (despite the problem of the broken feedback loop). These various principals have, of course, diverse interests as well. So the agent, the local government, has to perform a variety of tasks to advance the interest of various different principals which can give rise to agency problems.

In trying to deal with the problem of low powered incentives in bureaucracies, Dixit (1996; 1997) proposes some strategies. First, he suggests "*to group together principals whose interests are better aligned, who can then collude within each group*". This may be a strategy pursued, for example, by DFID which is trying to influence other DPs to join pooled arrangements. In Uganda it seemed to be working in a positive way, for example with Ireland Aid, although the idea is not to collude within a group but to lobby other *like-minded* DPs to join and strengthen this kind of aid delivery. A problem linked to principals' collusion refers to the complexities of agreement among principals about the division of the total gain from cooperation (Dixit, 1996). This problem is even more relevant in the public sector where gains are often non-monetary and "*are measured in non-comparable, non-transferable units*". This problem is in line with one of the dilemmas of pooled arrangements which refers to the non-attributability of results to specific DPs (IHSD, 2000).

Second, he recommends that "*agencies can be so designed that each performs fewer tasks, thus reducing the externalities among the principals affected by its actions*". Perhaps this could be achieved by using NGOs which are specialised in specific service areas such as HIV/AIDS or family planning, thus reducing the number of tasks performed by the government. This suggestion mirrors the project approach where specific programmes or sets of activities are implemented either by NGOs or special

units within the government or even by a DP itself, also by establishing a separate project implementation unit. Alternatively, a selection of priority areas or diseases could be the focus of government services, as is the example of 'essential health package' schemes. Such a package of priority services may be the focus of funding in a SWAp, as is the case in Bangladesh where maternal care, some infectious diseases and child health take precedence (Ensor *et al.*, 2002).

Third, he proposes that "*one may restrict the principal's incentive schemes so that each one is allowed to observe and reward only the dimension of output [or alternatively measurable tasks as well] that concerns him*". Dixit (1997) points out that if the agent's utility contains different sorts of efforts as surrogate, this will induce each principal to try to monopolise the agent's effort to advance his own utility by providing strong incentives. In the project approach, it is possible that DPs will compete and by providing the strongest incentives will win *vis-à-vis* other DPs. This may lead to inequality problems among districts or areas covered by the different DPs who work directly with local authorities, some that provide weaker incentives and others that provide stronger ones.

However, the question is if this is possible. In the project approach, different principals (in this case different DPs) attempt to attract the agent's (here the recipient government or NGO) effort for their individual projects. This leads to a patchwork of different activities (sometimes even duplication) and competition for scarce local resources (human and infrastructure) putting them under pressure to respond to the DPs' different requirements (Cassels and Janovsky, 1998).

On the other hand, in the SWAp approach the question is more about how a single DP can distinguish which dimension of output of the government's action arises from the DP's financial contribution. In an ultimate form of SWAp (where funds of all partners are pooled together and budgeted, disbursed and accounted for using the recipient country's system), attribution of specific contributions of the different donors to specific outputs is practically impossible. The issue of attribution in pooled arrangements (SWAp and GBS) is a source of concern for DPs, particularly those involved in disease-specific programmes who fear that: they will no longer be able to account for the impact of their particular investment; there may be a dilution of training and performance management systems (they supported via projects); that RGs' audit capacity and procurement systems are weak (IHSD, 2000). In addition, the attribution

of results is frustrated by the difficulties in observing the agent's efforts in advancing the principal's utility (assuming that the principal knows what to pursue).

In order to deal with these difficulties while waiting for recipient countries systems to improve, DPs set up accountability mechanisms or additional demands on the recipient government's systems. These demands created by DPs are in line with those required by the principals of DPs. These accountability mechanisms focus on managerial and financial aspects of resource disbursements and to some extent on outputs and outcomes (as discussed in the next section). However, accountability mechanisms in recipient countries also need to respond to the demands of the country's principals, i.e. other branches of government such as the legislative, civil society and ultimately the population. Yet, these seem not to be the focus of strengthening within the SWAp or GBS agreements. Civil society groups have voiced their concern that they feel excluded from these new types of aid modalities and hence restricted in their role of holding governments to account (Lister and Nyamugasira 2003).

In regard to the problem of multiple tasks, I explained earlier that when tasks are clearly defined, incentives tend to work well, but in the case of the public sector and IDA, where tasks tend to be multidimensional and outcomes are difficult to observe and verify, incentives become weak (Devarajan and Reinikka, 2002).

Drawing on the results of the model developed by Holmstrom and Milgrom (1991), I discuss here some of the instruments proposed to deal with the problem of multiple tasks in relation to IDAH.

First, the *payment of fixed wages* for aid officials (in DPs agencies and RGs), as a weak performance incentive, is already the most common incentive scheme used. This scheme is preferred over a perhaps more high-powered scheme of paying them piece rate wages because of the multiple tasks which compete for their time and effort, and the associated difficulties of measuring these (particularly effort) with respect to the agency's goals (Azfar, 2002).

With regard to the delivery modalities in the health sector, the use of fixed wages is common in both the project approach and pooled arrangements. However, the main difference between these is that in the case of the former a form of high-powered incentive exists, whereby DPs, when contracting out an implementing agency or

setting up a project implementation unit, are able to attract local staff by offering higher salaries and benefit packages as compared to salaries paid by the government for employees performing similar tasks. In the case of the latter, government employees are not offered any extra incentives. Another type of incentive linked to the project approach refers to the use of per diems for the supervision of activities or attached to the participation in workshops (for planning, training, evaluation purposes etc.). These can be offered to staff of project-delivered activities as well as to government employees, in which case the use of per diems also affects SWAp and GBS.

DPs are criticised for providing such incentives as they attract away from government service scarcely available skilled local staff and divert the staff's time and attention from their regular activities by means of offering generous per diems (Conn *et al.* 1996). This aggravates the staffing situation in the public sector (Cassels and Janovsky, 1998) and compromises the quality and effectiveness of services (including financial management which is often of great concern for donors) (Devarajan and Reinikka, 2002). But it can be understood from the perspective of the staff who respond to the incentives as they endeavour to advance their utility functions, and from the perspective of DPs who in order to achieve progress in their projects or activities attempt to attract the necessary human resources available.

In such cases, Azfar (2002) argues in favour of weak incentives based on broad sets of outputs as opposed to sharp incentives on specific tasks that may divert the agent's efforts towards the easy-to-measure tasks, implying perhaps that DPs should not be allowed to reward staff using high-powered incentives. However, in the context of low income and aid-dependent countries, it is questionable the extent to which the RG would be able to curb such behaviours by DPs (particularly in the case of GHIs such as PEPFAR which tends to come into a RG with strong political clout) and individual government officials.

The *introduction of policies setting limits on outside activities instead of providing incentives for inside* and non-tangible tasks that are difficult to measure and subsequently to reward[27] is a second method of dealing with multiple tasks that can be observed in IDA. Earmarking of resources channelled via IDA occur in both the

[27] Holmstrom and Milgrom (1991) suggest that *"constraints are substitutes for performance incentives and are extensively used when it is hard to assess the performance of the agent"*.

project approach and pooled arrangements, as a control mechanism to constrain the activities of the agent.

In the case of projects, DPs often earmark funds for capital investments only, in the understanding that recurrent costs are assumed by recipient governments as their counterpart. However, recurrent costs requirements are most often not met by governments, resulting in poorly maintained facilities, lack of basic inputs such as drugs, and poorly motivated staff (who are on low salaries and do not have the adequate tools and materials to perform their tasks). A form of enforcing such restrictions can be illustrated by the procedure adopted when using a World Bank loan. In this case, a failure to spend resources on capital investments results in such an expenditure not being reimbursed by the World Bank.

In the case of the SWAp, this is a form of restriction itself on the part of DPs, whereby their contribution is earmarked to a specific sector, health or education for instance. The introduction of restrictions in IDA is also related to aid fungibility. This happens when IDA funds are not spent as additional money to the RGs' budget but rather as a substitute for the government's expenditures in that area or project (Devarajan and Swaroop, 1998). This has contributed to DPs preferring project aid in the past as a means to secure that their funds go into those areas they have chosen as the priority. More recently, the use of targets when DPs channel funds as support to RGs budgets constitutes another form of conditionality, an *ex post* one (Adam and Gunning, 2002). It is worth noting however that targets are a form of incentives themselves. This suggests that the two opposing roles of targets (i.e. as a form of conditionality and as incentives) are not wholly separable, because they may alter how restriction works and who decides how monitoring should be carried out.

Thirdly, in the *use of job design as an instrument to control incentives*, the principal may choose, for example, the agent's portfolio of tasks, with some employees (or agencies/units) specialising in activities that are difficult to monitor and others in activities that are easy to monitor. This relates to the second option discussed above under multiple principals where Dixit suggests that agencies be designed so that each performs a smaller number of tasks, therefore reducing the externalities among the principals. There might be some scope for this being achieved by using NGOs, which are specialised in specific service areas, as in the project approach or even the essential package of services to be delivered under a SWAp. Also mentioned previously is the case of restricting DPs funds under the project approach to capital

investments where the output of the action is easier to measure, for instance if a hospital was built or a piece of equipment purchased. To separate tasks according to their measurability characteristics in order to provide a foundation for the incentive scheme is certainly less of an option under pooled arrangements, as funds are channelled for all types of tasks, tangible and non-tangible ones.

Finally, the use of *tournaments or rankings* for comparing the performance of different agents and rewarding accordingly is considered. A kind of tournament, though not explicit, already takes place when DPs choose those countries that are considered as good performers to receive aid [in line with the aid selectivity debate (Kanbur, 2003)]. Good governance is a criterion often adopted by DPs for selecting a country to be a recipient of IDA (see for example JICA, 2003). Less overtly recognised criteria include geopolitical interests, when for instance countries like the USA choose to provide IDA to recipients like Egypt instead of The Gambia, for strategic reasons (Zinnes and Bolaky, 2002).

A more explicit approach to tournaments seems to be in taking place in IDAH, as GAVI and the GFATM adopt clear targets and country competition as part of the compensation scheme of the aid contract. An even more complex version of such schemes could be to reward or penalise recipient countries on the basis of a more comprehensive performance ranking, which could be based for instance on progress towards the MDGs or the performance assessment developed by the World Health Organization (WHO) presented in the World Health Report (WHR) 2000 (WHO, 2000). This approach, however, raises a series of problems, which have similarities to the heated debates that took place in the aftermath of the release of the WHR 2000[28] (see for instance Williams, 2001; Almeida *et al.*, 2001; Navarro, 2001; Blendon *et al.*, 2001; Walt and Mills, 2001). Key criticisms included the lack of discussion in relation to what indicators to use and how to measure them (the simplicity and transparency of data collection and processing, if composite measures or not, if routinely available data or survey). This highlights that at the minimum, the choice of indicators should be based on their policy relevance, and data should be easily (transparently) collected, processed and analysed.

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[28] WHO's framework for assessing the performance of health systems centres on 3 main goals (to improve health, to enhance responsiveness to the expectations of the population, and to assure fairness of financial contributions) and 4 functions (stewardship, financing, service provision and resource generation) (Murray and Frenk, 2000). WHO's motivation to propose the above framework resulted from the lack of agreed goals and objectives of health systems as well as from the analytical focus on processes rather than outcomes (WHO, 2001). The framework was used by WHO as a departing point for the measurement and categorisation of countries in relation to their health system performance.

One of the potential problems of using tournaments is that countries are ranked and rewarded on the basis of their position in a league table, but this may allow DPs to simply 'wash their hands' of the process, and distance themselves from the important elements of participating and contributing to the country's capacity development, i.e. why and how it is in position x and may move up or down on the table. Tournaments could also limit the scope for building up a more in-depth international knowledge base and disseminating positive and negative experiences on the process of reform which other countries can learn from.

Looking at the options for using tournaments for aid delivery within recipient countries, besides problems of measurement of performance (discussed in further detail in the next section), there is the problem of lack of potential competition as the number of agents could be limited, as raised by Tirole (1994) in the context of the public sector. In addition, the use of tournaments may focus the attention on efficiency while other goals, inherent to the public sector, such as equity and accountability are neglected.

3.6 Dealing with agency problems

3.6.1 Monitoring under imperfect information

In recent years, the approach to monitoring in IDA has been influenced by recent reforms in the public sector in developed and developing countries alike. Such reforms have focused on improving the efficiency, quality and accountability of public services. The NPM, an approach to these reforms, entails, among others, changes related to the introduction of clearer links between inputs and outputs and performance agreements (Kaul, 1997). Experiences of applying NPM types of reforms in the public sector in New Zealand, the United Kingdom, the USA and others abound (Kaul, 1997; Ashton, 1998; Mannion and Goddard, 2002). All across African countries, reforms inspired by NPM (though not all reforms[29]) are also gaining ground (Therkildsen, 2001).

ROM is based on the approach that public services or departments are remunerated on the basis of their performance. Emphasis on accountability has led to increasing pressure to adopt and promote ROM as a way to improve monitoring practices and

[29] For instance, some reforms have been inspired by other groups of ideas such as the neo-liberalism which pervaded economic changes in many African countries throughout the 1980s.

mechanisms (Lavergne, 2002). Lavergne points out that a contemporary definition of accountability increasingly stresses accountability for results, as opposed to accountability for following certain rules and procedures. Hence accountability for expenditures is tied to the results achieved and not only to the inputs and processes used. Changes in performance need to be measured by using indicators and benchmarking for assessing progress towards established goals or targets.

For instance, the GFATM is using indicators of progress based on results for the disbursements of funds to recipient countries (GFATM, 2002). Alternatively earmarked contributions to the general budget may be provided based on the commitment of countries to improve results related to the three diseases covered by the Fund. Though it is not clearly specified what kinds of results the Fund expects, it is assumed that these are more clearly defined in the specific contractual arrangements between the Fund and the countries awarded grants.

There are two issues embedded in this new approach to aid delivery. First is the shift of focus of monitoring indicators from inputs to outputs. Second is the conditional use of funding to results or targets to be achieved by the recipient organisation. These two issues are reviewed in further detail in the remainder of this section.

This shift in the accountability approach from an input based model to an outcome or results based model, as exemplified by the GFATM above, corresponds to an overall trend in public administration (Paul, 1992; Zumeta, 2000) as well as in IDA (Adam and Gunning 2002; Lavergne, 2002; Martens *et al.*, 2002; Maxwell 2003). Adam and Gunning (2002) refer to the use of performance indicators as a form of *ex post* conditionality for aid delivery. Martens *et al.* (2002) mention the focus towards inputs as opposed to outcomes in regard to the broken feedback loop and the incentive biases such as paying aid officials fixed salaries as opposed to rewarding them for performance (for instance for number of children immunised).

3.6.2 Input-based model

The traditional focus of public accountability[30] has been one of an input-driven model (Paul, 1992), where performance in public services or organisations would be measured on the basis of inputs (human, financial, and physical resources), often financial and human resources, and to some extent on process and outputs. M&E would be centred on control mechanisms such as reports, evaluation missions, and audits of inputs and processes (Zumeta, 2000). In a forum organised by CIDA on SWAp and accountability, the input-based model was described as a form of monitoring that was based on process, was hierarchical, control-oriented and bureaucratic, and encouraged rules (Lavergne, 2002).

Past experience of evaluation exercises carried out by DPs, common under the project approach, tended to be short term, used external consultants that were not always well familiarised with local realities and problems, applied poor methodological design, lacked consistency across evaluations as well as benchmarks which impeded assessment of progress over time. Engelkes (1993) questions, thus, the reliability, validity, and relevance of the use of evaluation reports of PHC programmes funded by donors. Schrettenbrunner and Harpham (1993) point out that "*it seems likely that expensive, ill-designed and inappropriate health impact evaluations will continue to be implemented due to political pressures [as they involve people with strong stakes in the projects/programmes], which ignore the conceptual and methodological problems associated with such evaluations*".

There are also problems with the use of audits as the agent may hide information from the principal. Related to this is the issue of using international auditors as opposed to local ones. In this case, the problems arise from the unfamiliarity of international auditors with local practices which can be very intricate. The auditors have difficulties assimilating those or have very limited time to assimilate these and hence need to rely on local staff to guide them through the practices.

Given the incentive environment in which these evaluations take place [chains of principal-agent relationships (where DPs also act as agents) and international

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[30] "*Public accountability refers to the spectrum of approaches, mechanisms and practices used by the stakeholders concerned with public services to ensure a desired level and type of performance. Its effectiveness will depend on whether influence of the concerned stakeholders is reflected in the monitoring and incentive systems of service providers*" (Paul, 1992).

bureaucracy], it is not surprising that the scope for such evaluations and audits to observe and verify action (including inputs), outputs and most of all effort is very limited. Thus they fail to reveal performance information to the ultimate principals (tax payers in donor countries) as well as to punish agents for engaging in opportunistic behaviours – and to highlight that evaluators or auditors could be subject to cooption or bribery even if external.

Under the input-driven accountability model, DPs focus on budgetary expenditures (Adam and Gunning, 2002; Martens *et al.* 2002). Here the agent shifts effort to activities where outputs are easily monitored, i.e. inputs (budget controls as opposed to long term sustainability or quality of a project or capacity development initiative) (Martens *et al.* 2002). M&E focus on the amounts of resources planned to be spent *vis-à-vis* amount of funds actually disbursed (delivery rates), which also counts as a form of evaluating managerial performance of staff in aid agencies. Emphasis on achieving high levels of delivery rates can lead to strong pressures over the year, with the situation worsening in the third quarter of the year, to a point of risking expenditure in less important and relevant elements of the project that are less difficult to achieve. For instance, as opposed to building up a community project, which requires a bottom-up approach, resources could be spent on publications, which are based on a more top-down approach and will use resources more quickly.

3.6.3 Outcome-based model

A school tracking study in Uganda (Ablo and Reinikka, 1998) helped to highlight the limitations of the input model for monitoring in IDA (Adam and Gunning, 2002) and instigated alternative approaches by focusing more on the effects of the inputs allocated into the system *vis-à-vis* the beneficiary population. Going beyond the simple comparison of budget allocations to actual disbursement, the study followed the disbursed resources at the central level and checked whether funds reached the intended destination, which in this case were primary schools (Booth and Lucas, 2002). The study demonstrated that on average only 13% of the funds disbursed at central level reached the schools. The bulk of the resources were either used by local government officials for purposes outside the education sector or for private gain.

As part of the aid effectiveness package of reforms, more focus has been placed on outcomes/results. In order to account for those results, monitoring and evaluation

systems are being adapted to focus more clearly on outcome and equity measures. In this model, emphasis is placed on monitoring outcome indicators such as variation in morbidity and mortality. In regard to equity, one can use benefit incidence analysis for example to examine the extent to which the poor and disadvantaged are *de facto* being able to access and utilise health services. This shift is likely to compound the principals' monitoring and verification tasks given the multidimensional nature of outcome measures.

The model is described as one that promotes greater pro-activity, more flexibility in assessing and managing risks and places greater emphasis on partnership (Lavergne, 2002). This description suggests that the outcome based model of M&E is to some extent based on the concept of trust. As stated earlier, according to Allen (2000) trust and cooperation can contribute to more effective relational contracts by substituting the impossibility of writing complete contracts and monitoring fully the agent's performance in view of information problems. The outcome based model is also closely associated with the new aid modes of GBS and SWAp. As opposed to the project approach where trust is believed not to be a major problem as projects rely more on micro-management, in a SWAp trust is perceived as being more important. The idea is that risk is shared between partners and that trust between people from various organisations is built over time (Peters and Chao, 1998). Beyond trust and given weaknesses of existing monitoring and information systems, in practice partners seem to progress along the continuum of SWAp by establishing intermediary instruments as mentioned earlier, such as earmarked contributions or basketing, demanding additional accounting and auditing requirements in line with their countries' regulations and procedures, and imposing conditionalities. With regard to this, Foster *et al.* (2000) point out that before donors gain confidence in existing systems, they "*are still keeping close to the detail of sector programme development and implementation, expecting close liaison and consultation with government officials throughout the process*". Hence, elements of the input-based model of monitoring continue to be used.

The health sector, as opposed to other sectors in IDA, has already had experience in the past of focusing on outcome measures via vertical programmes supported by international agencies such as UNICEF and WHO (Adam and Gunning, 2002) and more recently with GAVI (Starling *et al.*, 2001). Under the SWAp, the focus of evaluation moves from the performance of single projects towards the performance of the entire health system, chiefly in regard to health outcomes (Cassels and Janovsky,

1998). For instance, the use of maternal mortality is suggested as an indicator of access to health care and functioning of health systems, as SWAp focuses on health systems development and not on single diseases or conditions (Goodburn and Campbell, 2001).

More generally, this model has several advantages. The use of outcome measures allows for the provision of evidence of status, for the use of benchmarks for assessing progress over time and for the clarification of policy and provision of a political framework (Maxwell, 2003) – e.g. targets like the MDGs have provided political impetus to poverty alleviation efforts. It is also helpful to broaden the perspective of the actors involved in designing and implementing activities, by focusing on more long term goals and ultimate objectives, such as improving rates of educational attainment or reducing the proportion of people living in poverty in a given country over a specified period of time.

However, when analysed from a principal-agency perspective, this model has a number of disadvantages. It involves very high costs of measurement, verification and other complexities such as lack of capacity which may facilitate the scope for the occurrence of moral hazard and adverse selection (Martens *et al.*, 2002; Adam and Gunning, 2002). If even in developed countries the use of performance measurement imposes considerable challenges (Mannion and Goddard, 2002), in low income countries these challenges are much greater. General problems with this model include risks of: over-simplification and misinterpretation of development efforts and how development outcomes occur (to take a reductionist approach to a complex/ multifaceted problem) (Lavergne, 2002; Maxwell, 2003). These issues reflect the kinds of difficulties faced by a principal when trying to disentangle the various dimensions of the agents' performance in the monitoring process.

The complexities related to observability and verifiability when dealing with the outcome model raises a number of questions around what to measure, how to measure, and capacity to measure.

With respect to *what to measure*, the first question refers to what kinds of indicators should be chosen. There is of course the risk of over-emphasizing results that are easy to quantify at the expense of less tangible but equally important outcomes (Lavergne, 2002; Maxwell, 2003). As seen in a tracking study of GAVI activities at country level, incentives based on quantity may lead to data being faked (Starling *et*

al., 2001) or effort being diverted from quality, particularly when the latter is poorly measured (Holmstrom and Milgrom, 1991) and measurement or monitoring systems are weak.

It is difficult to identify the key indicators that help to understand the crucial links in the causal chain. The danger is to develop a mechanical (technical and rigid) reporting of indicators as opposed to strategic use of data (Lavergne, 2002; Booth and Lucas, 2002). Lavergne (2002) sees this problem as particularly relevant to the log frame approach as a tool of ROM, underpinned by a linear causality postulate from inputs-process-to-outputs-to-outcomes. The how (the process of implementation) tends not to be captured in ROM frameworks. One needs to recognise the presence of feedback loops; synergies, vicious and virtual circles, and others that cannot be linearly described (Lavergne, 2002) as randomness and uncertainty. The inclusion of intermediate targets may help to clarify the gaps. Yet Lavergne (2002) argues further for the need for more analysis of how the links occur. Adam and Gunning (2002) also point out that more research may help clarify the problem of technical uncertainties between inputs and outputs (though this may not help in relation to uncertainty due to difficulties of observing the agent's efforts).

The choice of indicators of performance is an intricate exercise, as those selected can be either too broad and vague to the point of being meaningless or too limited and excluding important elements that should have been captured. Adam and Gunning (2002) argue that outcomes were vaguely defined in Uganda (though not all) and there were often incomplete links between short term and long term targets or outcomes. In addition, the choice of indicators can be rather contentious. For instance, the MDGs are strong on material aspects of deprivation such as income, but weak on non-material aspects like political rights and freedom, and refer to poverty reduction as opposed to equality (Maxwell, 2003). Indicators are a sign of the (health) policies of a country, which in turn reflect the values and judgements a society or political system attaches to the achievements they envisage. It would be naïve to imagine that a value-free policy is feasible (Williams, 2001).

In terms of *how to measure* health outcomes, a variety of issues around methods, data quality, and verifiability are of concern. There are considerable challenges regarding the production of simple, accurate and relevant data. Methods and data are not always reliable; one needs to be attentive to the design of systems and instruments applied in the production of routine data and surveys for example. In fact,

surveys are seen as technically superior, but they may contain shortcomings as well, regarding for example the use of reliable and robust methods and the kind of assumptions made (Booth and Lucas, 2002). As pointed out by critics of the WHR 2000 (Williams, 2001; Almeida 2001), one needs transparent choice and handling of data, including data of policy relevance.

There is a risk of relying on existing poor systems and using unreliable data, without making efforts to improve the current system or considering what the information actually indicates in relation to outcomes (Adam and Gunning, 2002). This has been suggested by Booth and Lucas (2002) in the case of PRSP indicators, who also suggest making better use of alternative methods to compensate for shortcomings of existing systems of routine information. Further there is scope for manipulation of data in order to achieve higher targets and thus rewards, since data collection and processing systems may not be reliable, even if audit systems were put into place, as was discussed in the study of GAVI in Tanzania and Mozambique (Starling *et al.*, 2001).

Another issue of concern refers to indicators lacking audited benchmarks (baseline) (Adam and Gunning, 2002). This raises the question of what are the bases for the setting of targets. These might be reliable estimates of the current situation and potential impact based on experience and studies, or consensus reached between parties, or guess work.

In addition, there is a lack of verification protocols or systems of independent verification[31] (Adam and Gunning, 2002). Performance-based contracts need to have measurable, verifiable and non-manipulable indicators. However, as discussed previously, limited scope for verifiability of outcomes by a third party (court of law, auditors) may foster the opportunity for moral hazard (incentives for misreporting). Notwithstanding, costs of measurement and verification are very high, particularly in decentralised countries. Verifiability and manipulability of data are even more serious concerns if funds are attached directly to achievement of outcomes (once more, see the example of GAVI), while if the main purpose is monitoring, the problem is less critical, as there are no attached incentives for manipulating of data. A possible strategy to minimise this problem is to introduce sample audits and surveys. The

[31] If this is possible, as, depending on the nature of service or good or indicator, it may not be possible for a third party to verify it.

former are being used in the education sector in Uganda to verify district level school returns (Adam and Gunning, 2002).

Regarding *capacity to measure,* a contradiction of the outcome-oriented model is that it requires a strong capacity for implementation and low income countries simply lack it. Because of the problem of fragmentation (different donors and various projects), when aid is delivered by the project approach (even though the project approach tends to be associated with input measures), it requires the scarce resources to be spread even more thinly (Lavergne, 2002). In pooled arrangements, monitoring mechanisms rely on existing weak structures and procedures (as scarcity of human resources and lack of computerised systems for example may increase the scope for opportunism), raising concerns regarding for example fiduciary risks among DPs (Lavergne, 2002). The author adds that DPs fear that the problem of weak monitoring systems is made worse in the contexts of poor rule of law, corruption, and domestic rivalries.

Hence there is need to improve capacity for enhancing information systems for routine data collection, reporting and analysis (and application of analysis into policy and implementation) as well as for carrying out surveys and audits. As Lavergne (2002) points out, the use of performance indicators for rewarding the contract raises issues of uncertainty and measurability related to capacity, and when considering measures for enhancement of the system, it is important not to overlook the incentive environment. Furthermore, it is worth noting that outcome monitoring requires more capacity of governments but also of donors. In addition to strengthening routine systems, Booth and Lucas (2002) suggest complementary methods: service delivery and financial or input (drugs for example) tracking surveys, problem-oriented commissioned studies and participatory impact monitoring.

A compounding factor to the challenges of measuring outcomes raised above relates to the difficulties of assigning responsibility for the achievement of outcomes – *outcome attributability* (Maxwell, 2003; Lavergne, 2002). These difficulties are intensified by, or related to, uncertainty, risk, and randomness. Attributability of outcomes is considered important in IDA, as agencies are under pressure to account to their governments or constituencies (their principals) for the results of aid resources invested.

However, as in SWAp or GBS, a DP can report to its principal(s) on the total results achieved, thus capitalising on the contribution made by other DPs. Just a small aid contribution can buy a donor voice into the recipient government's policies and piggyback on the credits of the results of all donors and the RG. As pointed out by Hill (2002), in SWAp risks are shared but individual donors are not directly accountable for failures while RGs may be. The issue of attributability may actually be used as an excuse for another problem which could be the lack of trust of DPs in RGs and their systems, highlighting the tension in easing control versus relying on existing systems and supporting their improvements.

Further to the issue of *uncertainty*, monitoring of health outcomes is particularly difficult as these outcomes are the result of long term efforts and investments as well as of endogenous and exogenous determinants.

There are considerable difficulties in measuring ultimate outcomes as they materialise after long time lags. In this regard, Radelet and Herrling (2003) point out that development is essentially a "*risky long-term process in which even the best-designed interventions may not succeed. While demanding results, the US must encourage innovation, which will require accepting failures from good-faith efforts.*" Hence, there is need to establish partnerships and investments over the long term, which has not been the nature of the relationships between DPs and RGs[32]. A plausible reason is that political systems in most donor countries have government mandates in cycles of usually 4 to 5 years, and DPs need to account to their constituencies on the basis of such short periods (Oliveira-Cruz *et al.*, 2003). Furthermore, posting of aid officials to RGs is often short to medium term (often cycles of no more than 5 years) (Walt *et al.*, 1999b) and these officials have career incentives to perform well *vis-à-vis* their institutions. In addition, the length of relationships can be subject to factors internal to the recipient countries as well, such as political instability or distrust (problems of corruption etc.). Such problems are likely not to translate into the agent advancing the utility of the principal.

A simple interpretation could be that the focus of accountability under the project approach had been more input-based and control-oriented while in pooled arrangements it has been more based on a target or outcome orientation. However

[32] While the experience in the project approach has been of a more short to medium term (though not all), the perspective of SWAp and GBS is to establish longer term relationships.

this distinction is not so clear cut. There are cases where targets can be related to inputs – and also they can work as conditionalities (see Adam and Gunning, 2002).

As discussed earlier, there are considerable challenges when focusing on ultimate outcomes for monitoring and even more so for compensation purposes of the aid contract. Some authors call for a more balanced approach to the choice of monitoring indicators.

For instance, the "*difficulty of attributing health target strategies to changes and partly to often small and slow changes, which make health outcomes a difficult field for reliable measurement … intermediate and process outcomes, i.e. improved and/or equitable access to services or a reduction in risk factor profiles, have their own relevance. They often change faster and are easier to detect*" (Busse and Wismar, 2002). Booth and Lucas (2002) see that the monitoring approach of PRSPs should actually be more holistic and balanced, where indicators of inputs, intermediate outputs, outcomes and implementation processes as well as final poverty outcomes/impacts are taken into account as opposed to a focused view on final outcomes only. While PRSPs are leading to an increase in final poverty-outcome measurements, there is:

> *Less evidence of renewed interest in measuring the intermediate processes and achievements that will be necessary to produce the desired final outcomes. This is a serious deficiency, as rapid feedback on this level of change is what matters most for accountability and learning. PRSPs are to be reviewed annually, requiring attention to variables that move relatively quickly and provide evidence of real achievements. Donors striving to support PRSPs with general budget funding also need a sound basis for disbursing tranches year by year.* (Booth and Lucas, 2002)

This is in contrast to Adam and Gunning (2002) who see the focus of performance indicators to be in outcome measures and the use of input or process indicators as a drift back into 'business as usual'. As is happening in Uganda, in spite of a general discourse of moving into performance indicators based on outcomes, in actual practice, intermediate targets are 'still' being used.

Lavergne (2002) sees as beneficial the use of a mixed set of indicators ranging from all cycles of aid delivery (inputs, processes, outputs) to effectiveness (outcomes), according to the countries priorities. Other dimensions of performance (beyond

results/outcomes) of a health system that could be used in monitoring include, for example, fair financing, responsiveness, stewardship and cost-effectiveness.

The above relates to the issue that where there is uncertainty, one can improve on output-based contracts by rewarding any element of effort one is able to measure.

Health care produces outputs, but health is not primarily produced by health services. As noted by Halfon and Hochstein (2002), "*health is a consequence of multiple determinants operating in nested genetic, biological, behavioral, social, economic contexts that change as a person develops*". Health outcomes not being a perfect function of health services (efforts of doctors, other providers, managers, policy makers) compounds the challenges of basing payments on outcomes (Liu, 1999) or more generally of carrying out monitoring strategies in this field.

Thus, health outcomes are part of a complex chain of influences, and it is very difficult to observe the efforts of all the different actors and institutions involved in order to measure the agent's advancement of the principal's utility.

3.7 Compensation scheme

A fundamental problem in the way DPs are using performance indicators for allocating aid resources refers to the failure to establish a clear compensation scheme that rewards good performance and penalises bad performance (without completely stopping the programme). Adam and Gunning (2002) see this as a new form of conditionality – *ex post*; Schmidt, (1995) discusses it not specifically in relation to performance indicators but to aid disbursement in general; Killick (1997) refers to the failure of a penalty-reward system in conditionality contracts of structural adjustment programmes supported by the World Bank.

Adam and Gunning (2002) argue that this is what has been attempted in Uganda: although the restructuring of aid modalities with the introduction of the PRSP and GBS/SWAp and consequent use of performance indicators[33] has led to important changes in the DPs-RGs relations, such as improvement of donor coordination, it has not as yet established an explicit compensation scheme. The GFATM, however, seems to have been able to establish a vague penalty mechanism (not an explicit

[33]The authors use performance indicators as an alternative form to input measures.

one), as evidenced by the financial audit requirement which states that countries will have to "*accept serious consequences*" (GFATM, 2002). 'Serious consequences' appears to have been translated in practice by suspension and even cancellation of grants by the GFATM, as was the case in Uganda due to poor performance of the RG in relation to the agreed contract (IRIN news, 2006a; The New Vision, 2007b).

In Pakistan, disbursements of external aid were withheld until government expenditures were made, as a result of controversy over reaching government expenditure targets and the adequacy of some of the yearly plans (Peters and Chao, 1998). This raises the question of whether this penalty had been agreed in advance, so that it constituted an explicit penalty, or whether it was an implicit penalty taken along the way – more likely the latter. Peters and Chao (1998) also mention that in the SWAp, disputes related to expenditure programmes have been dealt with through negotiation processes among partners, which have become a common feature of the planning and review cycles. This begs the question of whether negotiation processes are being used as substitutes for penalties.

An example of a rare explicit mechanism of compensation in the aid contract is the one used by the EU. They have devised an innovative system of graduated performance disbursement[34] (Adam and Gunning, 2002). This seems to be working on a pilot basis as only a small proportion of the aid budget is allocated by the use of this formula. Yet, the authors argue that the use of the formula is rather promising as it allows disbursement to be in line with the degree of progress achieved towards the agreed performance, and it avoids problems of DPs having to withhold funds completely when some targets have been achieved (and thus agents need to be rewarded for this) and others not.

This seems indeed to be a rather clear and fair mechanism given that most donors are not credible when they base the compensation contract explicitly on performance indicators or targets (as happened in the April 2001 joint review of the education

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[34] Adam and Gunning (2002) describe the formula as follows: "*for each of the agreed outcome indicators a score is calculated: one point if the agreed objective is attained, 0.5 if this is not the case but there is evidence of a "considerable positive development" and otherwise the score would be zero. Performance is then measured as the (unweighted) average of the individual indicator scores. Disbursement is proportional to this average score, with the maximum disbursement reached when 80% of the maximum performance is realized: each 1% (of the maximum score) increase in performance triggers the release of 1.25% of the tranche (up to the maximum of 100%). For example, in the case of four indicators this would imply that if the score was 0.5 for each indicator then 62.5% of the tranche would be disbursed (1.25 times 50%, the actual average score as a percentage of the maximum). If the objectives for three of the four indicators were attained while the score was 0.5 for the fourth one then the full amount would be disbursed.*"

sector in Uganda), thereafter paying anyway in spite of poor progress (Adam and Gunning, 2002). Alternatively, they may withhold funds but this will cause serious problems of service disruption, hindering efforts of capacity development and encouraging distrust among partners. On the other hand, the score system seems not to be free of problems. For instance, when a 0.5 score is given for an indicator on the basis of 'considerable positive development', a clearer definition of what is meant under considerable development is needed for each indicator, at the expense of encountering similar problems of vaguely defined performance measures.

The lack of an explicit compensation scheme in the aid contract may also be in the interest of DPs who rely on countries such as Uganda ('good performers') as show cases. DPs after all are under pressure from their principals to disburse their allocated budgets. The current trend of a change in the aid contract (from inputs based to outcome based), being more rhetoric than fact, serves both sides (DPs and RGs) given scope for opportunism of RGs and DPs alike when acting as agents.

Mechanisms by which performance and penalty/reward are linked under SWAp/GBS are quite subtle. This may be so even if implicit penalties/rewards come later rather than as immediate responses to failures or successes. For instance, this may the case when DPs suspend budget support contributions because of government's poor performance in an area outside the agreed contract (e.g. increased military expenditures) and not due to failure in achieving agreed targets (e.g. in the health sector). Clearly, implicit compensation mechanisms, used in the context of SWAp and other aid modes, need to be explored further.

3.8 Other options for dealing with agency problems

As discussed previously, *repetition* in agency relationships may improve some incentive problems (Stiglitz, 1989) as by "*allowing for more than one period allows one player's action to generate a future response by the other player. There is at least the possibility of a more efficient outcome.*" In such kind of situations, it may be possible to compare the output over time (MacDonald, 1984).

However, difficulties in achieving these efficiency gains in IDA may apply in a context where changes in actors and policies within governments of both DPs and RGs occur, and occur rather often. These changes may take place due to political changes via a

democratic or non-democratic process, or due to economic constraints for example that can lead to reductions in aid flows. This has implications in relation to potential changes in the underlying objective functions of the partners, i.e. individuals and or organisations.

Yet, particularly in SWAp and GBS as opposed to the project approach, there is scope for monitoring outputs over time. It is assumed that relationships under these aid modalities will tend to be of longer duration. However, for recipient countries there are no forms of guarantee that DPs will continue a contract. Even if the recipient country complies with all conditionalities and performs accordingly, there is the risk that because of resource shortages or changes in political priorities, a DP may suspend their contributions. Nonetheless, as discussed previously, improvements in health status require long term (i.e. decades) and sustained levels of investment, and such commitments have not so far been a common approach. To the issue of commitment, Stiglitz (1989) questioned: "*can ...the worker commit himself not to leave, or can the employer commit himself not to terminate the relationship?*"

When using the project approach, DPs have actually been the subject of criticism for their interest in quick results, which again is related to political structures and length of mandates in donor countries. In addition, representatives of DPs rarely spend more than five years in one country, and the turnover of high-ranking staff in MoHs is infamous (Walt *et al.*, 1999b citing Lucas *et al.*, 1998). In spite of such uncertainties, there are cases of long term commitment from DPs, as shown by the project of almost 30 years established in partnership between the government of Vietnam and SIDA[35]. On the other hand, commitment to long term relationships 'no matter what' can lead to inefficiencies and poor results.

Reputation in IDAH can play a role as an option to deal with agency problems, being particularly applicable to considerations regarding observability and verifiability.

In order for DPs to believe in RGs, they need to be able to observe "*or to participate in the development of convincing plans and expenditure programmes, built on solid information...* [these] *are consistently implemented in an open and transparent environment, and* [...] *the chosen policies are followed over time by stable government staff which provide continuity to the process*" (Walt *et al.*, 1999b). In the context of SWAp, the authors further note that "*MoHs in low-income countries may*

[35] The partnership is known as the Vietnam-Sweden Health Cooperation (VSHC) (Morten Jerve, 2001).

need significant assistance to allow them to formulate realistic plans, set priorities, devise sensible indicators, and then to monitor the whole process". Foster *et al.* (2000) point out that given weaknesses in monitoring systems, review processes lack credibility. As discussed in the previous section on monitoring, weak systems and underlying incentives reflect the considerable difficulties in observing RGs behaviour.

Also as raised earlier in this thesis, besides observability, other elements that can influence the continuation of an existing relationship include trust but also geopolitical interests.

Verifiability may be more important when an agent's reputation needs to be verified by a third party via the agent's existing or previous contractual relationships. However, the scope for a third party to be able to verify the behaviour of a RG or a DP is limited, as highlighted previously.

It is worth noting the role of reputation of other partners besides RGs. For instance, Azfar (2002) points out in regard to contracted private or not for profit organisations involved in IDA that these organisations "*do have incentives to control costs but not to minimize them. Potential loss of reputation from shoddy work is therefore relatively more important to saving on costs, hence quality is less likely to fall below threshold.*" To the reputation of DPs, they are perceived be bureaucratic, unreliable, and defaulting on pledged funds (Walt *et al.*, 1999b). This raises the discussion of trust of RGs in relation to DPs. In regard to trust of DPs *vis-à-vis* RGs, *The Economist* (2002) has stated that "*developing trust and partnership with kleptocrats is hard*", in the context of resources of DFID going into budget support and the apprehension of poor accountability in recipient countries.

Walt *et al.* (1999b) suggest that asymmetrical power relations between RGs and DPs may be defeated through "*frank dialogue and the patient nurturing of mutual trust*". This begs the question once more as to the scope of using trust to counter opportunism.

Another option to be considered when performance in a principal-agency relationship is insufficient is *termination.* Termination may occur due to factors exogenous to the recipient country, such as reductions in aid budgets, but also because of poor governance and other problems in the aid contract, such as not credible or inefficient penalty/reward systems.

Termination in IDAH is, however, a rather difficult option. In spite of the problems in the relationship, there are other factors to consider: first, the argument of moral obligation to continue activities in the field; second, the pressure of the agents (*direct beneficiaries* of aid) for continuation of their contracts (suppliers, consultants etc.); third, if agency problems are endemic then terminating one relationship and finding another agent will not eliminate agency problems; and finally, the broader purpose of the aid contract – to serve as a political tool. In addition, in many countries, the choice of agents is not large. In settings where governance is very weak DPs may establish partnerships with the non-governmental sector, but in more general terms, as principals, DPs tend to have but one agent, i.e. the government [which can use its monopsonistic position to extract rent from the principal (Whynes, 1993)]. In such circumstances, DPs may have to exit, to move demand to another provider. If the current trend in IDA of channelling aid via a country's budget persists, obviously the sole agent will be the country's government. Options left to DPs may include the imposition of conditionalities (for instance reduction in defence budgets), the temporary suspension of aid or the exit to other countries.

Further in relation to exit, DPs may find it "*easier to walk away from a proposal or clamp down on how funds are used than to deal with any potentially embarrassing risks. Governments, however, cannot walk away*" (Peters and Chao, 1998). The relative freedom of DPs to come and go, the lack of a penalty/reward system to sanction donor defaults, and the unilateral withdrawal of aid in reaction to local conflicts, highlight weaknesses in the nature of the relationship between DPs and RGs (Hill, 2002), at the global level. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) has proposed that donor countries monitor each other's performance, and similarly, the New Partnership for Africa's Development (NEPAD) suggests having African country governments in the peer review process of donors (Maxwell, 2003). However, a clear penalty/reward system is lacking, which in this case refers to the other facet of the aid contract, when RGs act as principals.

3.9 Concluding remarks

In sum, the kinds of conflicts of interests between the various actors involved in IDA outlined previously, the multiple layers of delegations between actors and organisations, the broken feedback loop between the populations in 'donor' and recipient countries, the consequent weak accountability link across these institutions, and the difficulties related to monitoring (observing) the actions and or outputs yielded by agents, give rise to an array of incentive problems and highlight the need of devising sophisticated incentive structures (or at least being alert to the perverse incentives that may arise and design coping mechanisms). The design of effective incentive structures is of such complexity that it is even referred to by Martens *et al.* (2002) as an art that should address agency problems by motivating agents to reveal relevant information to principals and minimize biases in their behaviour. As examined earlier, the example of the Arthur Anderson and Enron scandals is of relevance here as both shareholders and managers (principals and agents) had strong incentives to present a favourable portrait of their companies. In IDA, similar problems may occur with DPs and RGs. Both groups when acting as agents need to present the best possible results to their principals. It is worth mentioning again, that DPs also act as agents and are accountable to their tax-payers or may be under the pressure of the other agents in the chain of principal-agents (the *direct* beneficiaries of aid).

Chapter 4: Research design and methods

4.1 Introduction

The research design and methods presented in this chapter were developed with a view to achieving the study's aims and objectives, which were:

Aims:

- To better understand the relationship between RGs and DPs, by assessing more specifically:
    - How the relationship changed with the new modes of development assistance for health (SWAp and GBS) in Uganda;
    - The nature of the incentive structures embedded in the new aid mechanisms and how they were structured by the monitoring and compensation schemes;
    - The motives (objective functions) of the organisations and individuals and how those shed light onto the behaviours of the parties in the aid environment in Uganda;
    - The appropriateness of thinking embedded in economics, particularly the agency theory framework, when applied to understand the aid contract.

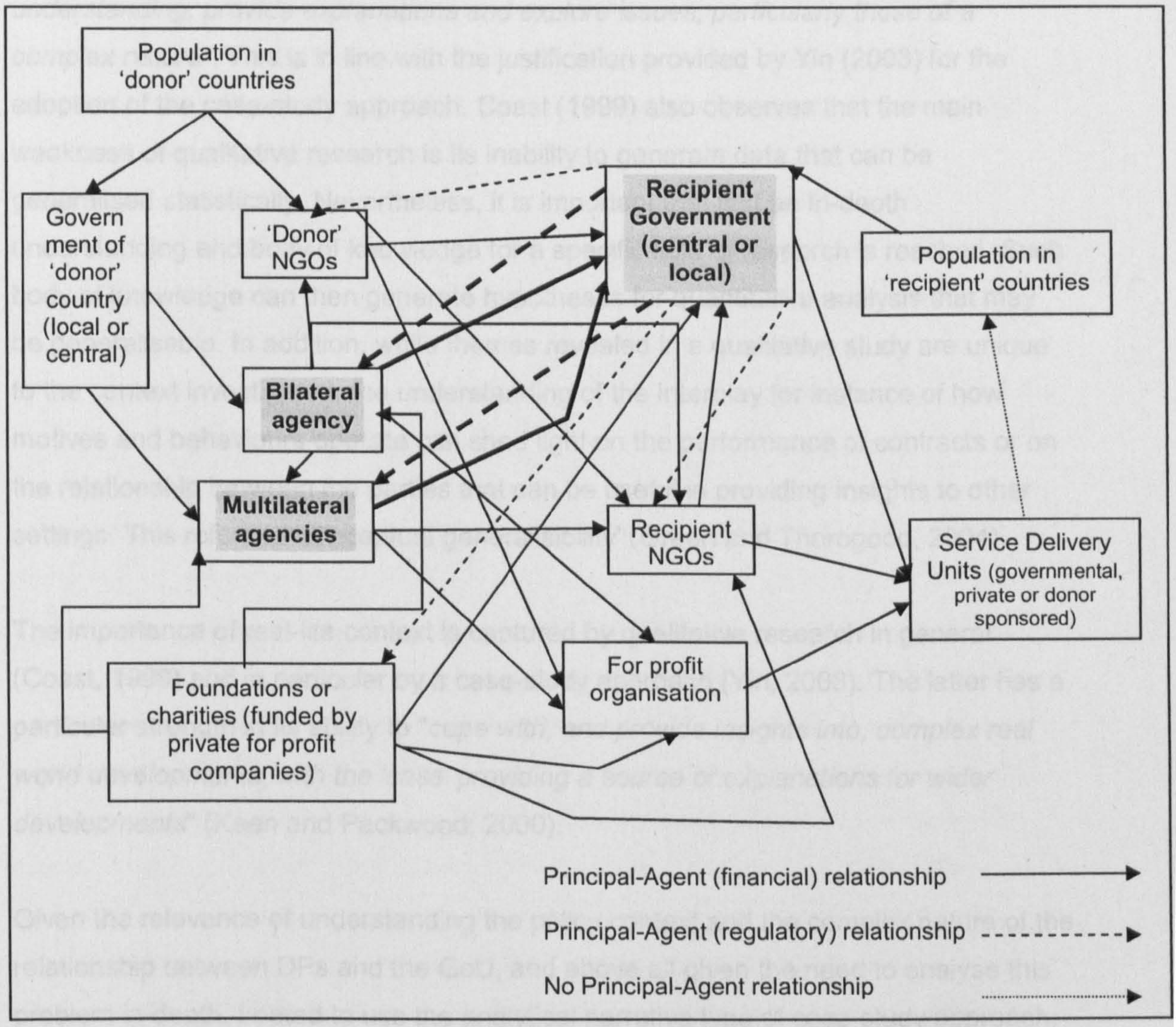
Specific objectives:

- To describe the existing monitoring mechanisms and how they differed in terms of focus (inputs, process, outputs, outcomes)
- To examine the effectiveness of the mechanisms, as understood by the actors, for monitoring performance
- To seek to understand the implications of monitoring mechanisms for behaviour under the aid contract
- To explore the nature of the compensation scheme (penalty-reward system) adopted under the new aid modalities
- To assess how credible the penalties and rewards were from the agents' point of view and how the credibility affected their actions (incentives to under-perform)
- To assess how the parties understood the nature of the contracts (projects, SWAp, GBS) in terms of objectives or expectations.

Martens *et al.* (2002) suggest that the application of the agency model to understand the intra-organisational behaviour (as related to motives, incentives, efforts) of

individuals involved in IDA requires detailed work and thus needs to focus on few organisations. This refers to the micro level in Zinnes and Bolaky's framework described in chapter 3. In addition to seeking to understand the behaviour of individuals within organisations in this study, I have also opted to analyse the relationship between a small number of organisations involved in aid delivery in Uganda (the meso level) - as opposed to analysing the whole range of relationships within and between the various actors and organisations involved in the broad area of IDAH (the macro level). The selected organisations included: the national recipient government (MoH and MoFPED), bilateral agencies and some multilateral agencies using a project approach, SWAp and GBS. The national recipient government was selected because it is the main contact point for the aid delivery process (particularly in the context of GBS and SWAp) and can be interpreted as the agent in the relationship with DPs, following a standard agency theory model. More specifically, the MoFPED was chosen because it is in charge of the country's finances and planning processes (including aid flows), and the MoH because it is a recipient of aid and in charge of policy formulation, management and service delivery. The bilateral agencies were selected because they provide significant volumes of aid to Uganda (see information provided in chapter 1) and thus can be seen as principals vis-à-vis the RG. Because of the agency framework the multilateral agencies were not initially chosen as, having more principals, these agencies would add a greater level of complexity to the study. As this was a first exploration of the applicability of agency theory to the field of IDAH, this additional complexity was thought to be better explored in later studies. Yet, some multilaterals have been included in the study because they had large projects and/or a high level of influence in Uganda at the time of fieldwork. I have highlighted in bold the relationship between the selected organisations in Figure 4.1.

Figure 4.1: Relationship between selected organisations for study in this thesis



Source: adapted from Figure 3.1.

4.2 Research design and epistemology

Ideally a study applying the agency model to IDAH should endeavour to analyse all three levels of the aid relationships, macro, meso and micro. This would preferably encompass multiple sites (recipient countries) where comparisons and contrasts could be drawn; a longitudinal approach to data collection; and the use of qualitative followed by quantitative methods. However, given resource constraints faced by a PhD research, I opted to make use of qualitative methods to understand the effects of the restructuring of the 'contractual' relationship between RGs and DPs as new modes of aid were adopted in a specific country setting (Uganda). An in-depth qualitative approach was required to investigate this area of research given the small number of organisations (sample size) that could be examined thoroughly. According

to Coast (1999) the power of the qualitative approach lies in its "*ability to aid understanding, provide explanations and explore issues, particularly those of a complex nature*". This is in line with the justification provided by Yin (2003) for the adoption of the case-study approach. Coast (1999) also observes that the main weakness of qualitative research is its inability to generate data that can be generalised statistically. Nevertheless, it is important that first an in-depth understanding and body of knowledge for a specific field of research is reached. Such body of knowledge can then generate hypotheses for quantitative analysis that may be generalisable. In addition, while themes revealed in a qualitative study are unique to the context investigated, the understanding of the interplay for instance of how motives and behaviours operate can shed light on the performance of contracts or on the relationship between the parties that can be useful in providing insights to other settings. This refers to 'conceptual generalisibility' (Green and Thorogood, 2004).

The importance of real-life context is captured by qualitative research in general (Coast, 1999) and in particular by a case-study approach (Yin, 2003). The latter has a particular strength in its ability to "*cope with, and provide insights into, complex real world developments, with the 'case' providing a source of explanations for wider developments*" (Keen and Packwood, 2000).

Given the relevance of understanding the policy context and the complex nature of the relationship between DPs and the GoU, and above all given the need to analyse this problem in-depth, I opted to use the analytical narrative type of case-study approach, having as the unit of analysis the key modes of aid in operation in the country.

The case-study approach has been increasingly used to investigate the nature of contracts in the health sector (Allen, 2000; Palmer, 2001). In addition, the analytical narrative approach has been suggested as an appropriate method to be used in investigations in the field of NIE applied to IDA (Azfar, 2002; Zinnes and Bolaky, 2002). Analytic narrative can be used to interview political actors and "*seek to understand the actor's preferences, their perceptions, their evaluation of alternatives, the information they possess, the expectations they form, the strategies they adopt and the constraints that limit their actions*" (Bates *et al.*, 1998). As Zinnes and Bolaky (2002) note: "*since the* [analytic narrative] *approach is couched in behavioral terms, it not only allows us to evaluate the obstacles to effective aid, but it also provides effective guidance on how to design incentive-compatible institutional mechanisms to prevent, correct or attenuate opportunism that jeopardizes aid effectiveness.*"

A crucial epistemological debate in social sciences refers to the divide between the positivist and relativist approaches (Patton, 1999; Silverman, 1993; Miller and Glassner, 1997). These approaches tend to be broadly associated with the following contrasting paradigms in relation to scientific investigations:

Table 4.1: Epistemological divide

Positivism	**Interpretivism / idealism / relativism**
Objectivity, one absolute truth, value free	Subjectivity [in the sense that data involving human beings reflect various different perspectives (or 'truths') in line with the phenomenological paradigm of the interpretative and social constructionist schools (Patton, 1999)]
Quantitative methods, deductive analysis	Qualitative methods, inductive approach

Most economic research, including the area of health economics, adopts a theory led deductive approach which is related to the positivist model (Coast, 1999). The use of agency theory as a guide to the research process of this thesis, including the data generation and analysis, can be seen as a reductionist approach and more closely associated with the positivist paradigm. As argued by Buse (1999), the rationale of political investigations shall be centred on the explanation of behaviours as opposed to the testing of a hypothesis. Agency theory and its assumptions in this research were not used to corroborate this particular theoretical approach. Instead, the approach adopted was of using it as a conceptual framework because the insights offered by this theoretical approach plausibly matched the areas of concern I had when designing this study. Hence, the initial set of themes to be explored was identified among this theory's core concepts. In order to deal with the concern of a reductionist approach to the data, an explicit attempt to recognise variables and themes that did not fit the theory was introduced in the data analysis.

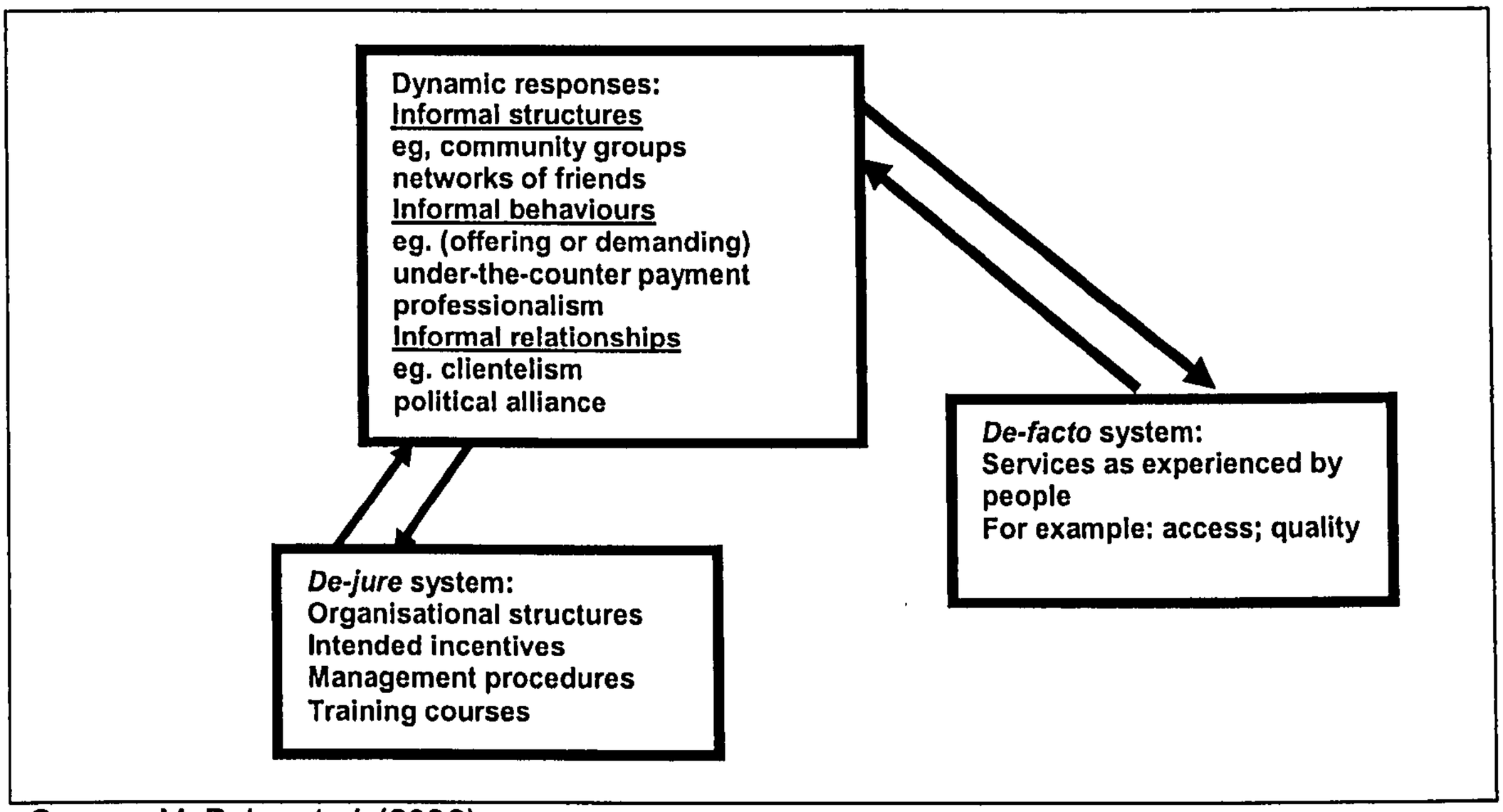
However, in trying to advance beyond the concern noted above for the limitations of a reductionist approach by adopting a theory-led analytical model, the research required contributions from epistemological paradigms that would take into account the relevance of more in-depth understandings of the policy context and the complexities inherent in the relationships in the context of aid delivery at country level.

Realism proposes an alternative paradigm bridging differences between the positivist and relativist approaches (Pawson and Tilley, 1997). The main characteristic of the realistic approach refers to "*its stress on the mechanics of explanation, and its attempt to show that the usage of such explanatory strategies can lead to a progressive body of scientific knowledge*" (*ibid.*). Research rooted in this scientific philosophy is not

focused on elucidating cause and effect but rather in seeking to understand 'how and why', as well as seeking and recognising patterns.

Critical realism[36] emphasises that reality needs to be construed through lenses of dynamism, differentiation, and desimplication. Or in other words, the natural world needs to be seen as being always in change, differences need to be valued, and complexity recognised (Cameron, 2004). In line with this, McPake *et al.* (2006) propose a model that seeks to understand health systems based on the realistic school of thought which is also informed by complexity theory. Figure 4.2 depicts the key characteristics of the model. The dynamic responses (e.g. clientelism, community groups) that operate in an environment shape the interactions between the intended policy changes (*de jure* system) and those *de facto* experienced as the policies are implemented.

Figure 4.2: A conceptual model for health systems research



Source: McPake *et al.* (2006)

The approach adopted in this research attempted to comprehend the interrelated motivations and conflicting objective functions of the various actors involved in aid delivery in Uganda rather than simply demonstrating a causal link, such as between SWAp and health sector results. This research is not about the impact of new aid modes on performance; it is more concerned about how it changed, what changes it brought within the Ugandan context, why some elements of the relationship could

[36] Earlier formulations of the realistic approach had been referred to as 'naïve realism' and were more closely associated with the philosophy of natural sciences while later contributions by social scientists (e.g. Bhaskar and Pawson and Tilley) introduced the use of the term critical realism (Robson, 2002).

change and others not (unravelling motives, behaviours, incentives, processes, contexts). In other words, performance is not measured as a result of the introduction of new aid modes but further understanding is sought of how the new aid modes operate and the implications of their mode of operation in terms of changes in the incentive environment and behaviours.

4.3 Data generation and sources

4.3.1 Data generation

This research involved a fieldwork period of approximately 10 months for data generation. This period is broken down in 3 phases. A first visit was made to Uganda in April 2002 when I was able to participate as an observer in a Joint Review Mission (JRM) of the health sector. Besides observing the national level meetings taking place in Kampala, I took part in one of the district visits. This phase pre-dated and informed the preparation of the study design (but notes from observation of these meetings were also used as sources for the research).

The second and main phase of the fieldwork took place between September 2003 and the beginning of June 2004. During this period I was living in Kampala, Uganda. Given a pre-established collaborative programme between the London School of Hygiene and Tropical Medicine (LSHTM) and the Institute of Public Health (IPH) of Makerere University, the Health Systems Development Knowledge Programme, I was affiliated to that Institute. The period of fieldwork coincided with a collaborative project of the Health Systems Development Knowledge Programme that aimed to produce a book reflecting upon key health systems reforms implemented in Uganda since 2000 (Kirunga Tashobya *et al.*, 2006). My involvement while in Uganda included the co-organisation with IPH, and other partners (MoH more specifically the Health Planning Department, some DPs (DFID, WHO and Danida) and NGOs (UCMB), of various discussion meetings that served to inform the analysis and writing of the chapters for the book.

The third phase included two small visits to the field coinciding with the JRMs of October 2004 and October 2005. The first of these two short visits was particularly helpful in obtaining additional data to close key gaps identified through the initial process of data analysis. The second visit allowed me to take stock of a fast changing

political and institutional environment. Given that the last visit depicted a rather different circumstance from the previous ones (including a number of new individuals in charge of the negotiations between the Government and DPs) and no formal data collection process took place at the time, it has only been used to inform general changes as described in chapter 8.

4.3.2 Data sources

In general terms, all data sources proved to be valuable to the research. Field notes and observation were used to inform the analysis. They provided elements that helped construct the broad narrative of the results chapters. They also were advantageous in clarifying the more implicit questions being pursued by the research. Documentary analysis was particularly helpful in providing description / narratives and chronology of events, mainly in the form of policy and strategy papers but also available local literature (including grey literature). Other sources such as minutes of meetings, evaluation reports, and similar provided some insights for answering some research questions. Interviews helped construct evidence in relation to perceptions, in-depth opinions, and understandings of actors. Appendix 1 provides an overview of the methods used in relation to the objectives and key research questions. A more detailed account of the data sources is provided below.

Observation

Observation can be either direct or indirect, and participant or non-participant. According to Yin (2003) direct observation can range from a field visit to more formal data collection activities such as the observation of meetings. He defines participant observation as a "*special mode of observation in which you are not merely a passive observer. Instead, you may assume a variety of roles within a case study situation and may actually participate in the events being studied*" (*ibid.*). Past research in Uganda by Jeppsson (2004) used participant observation – the author was formally employed as a technical advisor in the health sector and thus taking part in the policy making and implementation processes during the period of his research. In contrast, as mentioned in the previous section, while I worked and lived in Uganda during the fieldwork, I was not directly involved in tasks within the policy making and implementation processes. However, the interactions I was able to have with various policy makers during that period allowed me to get to know 'who was who' and

informed the choice of key informants; to gain insights into interpersonal behaviour and motives as well as access to events and groups that would otherwise not have been possible or been very difficult. This is noted as a particular strength of the participant observation method (Yin, 2003). By not being directly employed in the health sector, it was possible to control for a potential bias of this method which refers to the investigator's scope to manipulate events (*ibid*.).

Direct observation of meetings was used in this research and it was helpful in:

- Mapping out the organisations involved in the field as well as familiarising the investigator with the formal structures and processes within the health sector (Allen, 2000).
- Gathering evidence in relation to facts and events; the nature and processes of interaction of the different partners; and their behaviour and views in relation to events.
- Providing insights about behaviours of the parties by throwing light on or challenging statements made during interviews.
- Meeting individuals more formally but also informally, which helped in getting to know them and being known by them. The fact that I got to know and observe them helped me define those who should be interviewed. The fact that they got to know me seemed to help them to agree to be interviewed and, according to one interviewee, it also enabled them to be more open and willing to tell me information they would not otherwise do, because they felt they could trust me. In addition, the regular interactions with these individuals allowed me to follow up issues as I tried to further understand certain problems or ask them for specific documents / reports.
- Obtaining documents shared among participants (often progress or annual reports prepared for DPs).

A total of 30 different meetings were directly observed by me. Hand written notes of the meetings observed were taken by me and later typed. Notes included not only facts but also observations of interactions and behaviours.

Appendix 2 includes a list of the categories of meetings observed (e.g. HPACs, HDPGs, etc.) and types of participants. Although the work focused on the national level interactions/relationship between the Government and DPs, district and civil society views were partially captured through discussions as observed during meetings like JRMs, NHAs, PERs.

Obtaining access to observe SWAp/GBS related meetings was unproblematic. This was particularly the case towards the end of the fieldwork as I was known to people and they would often remind me of upcoming meetings. At the beginning I asked for permission to attend regular meetings like JRMs, HPAC and HDPG from individuals I knew from previous visits to Uganda and through the collaborative work of the Health Systems Development Knowledge Programme. Access was granted on an informal basis.

Access to project related meetings was more difficult. These meetings seemed to be less open and consultative than the SWAp/GBS meetings. Their schedules were also less clear. I had to ask development partners and programme managers if and when I could attend these meetings. But there was the basic problem that few evaluations or negotiation meetings appeared to take place during the length of the fieldwork.

A potential bias of the method of observation is that the actors involved in the events being observed may alter their behaviour in the presence of an observer (Patton, 1999; Allen, 2000). It seemed that most meetings observed had not been influenced by the fact that I was present. This was particularly the case for large meetings like PERs, NHAs, JRMs where my presence was diluted in the very large number of participants (above 100 approximately). Meetings with medium size number of participants such as HPAC and HDPG appeared also not to have been influenced by my presence, as the review of previous minutes of such meetings seemed to suggest the discussion of similar themes. Finally the few project related meetings attended were also of medium size in terms of number of participants, but these are more difficult to assess as to whether there was a change in behaviour by the actors as no access to previous minutes were made available. However, even in the case of the SWAp related meetings, it is not entirely possible to know whether my presence altered the nature of the discussions and the information shared or not.

Documentary analysis

One of the benefits of using documents as a data source according to Yin (2003) is that they allow for a broad coverage in terms of time (spanning over long periods), and range of events and settings (national, regional, local levels). In this study, documents were helpful in providing a historical chronology of events reporting on

policy implementation at the national level. Both published and unpublished documents relevant to the research topic were collected.

Documents that proved particularly useful included policy papers, health sector plans and reviews (e.g. MTEF; AHSPR and aide memoirs of JRMs). In addition, as suggested by Martens *et al.* (2002), documents related to resource allocations and related budget procedures were made use of (e.g. MTEF and Annual Budget Performance Reports). Another type of documentation used was the media (particularly newspapers) as I followed the unfolding of issues relevant to the research questions.

Sources of access to documents included libraries or document centres of the MoH and MoFPED, offices of DP agencies, and the IPH. However, the major source for obtaining access to documents and reports (particularly up to date) was through participation in meetings. The second most useful source to obtain documents was through the email list of the HDPG. The third source was through the group of interviewees (during interviews which tended to take place in their offices).

As documents were received or mentioned during interviews or during meetings observed, those received would be skimmed for content, and requests for mentioned documents or for related or additional documentation, would be made to the relevant persons.

There were some difficulties in obtaining access to documents related to projects and other documentation particularly at the beginning of fieldwork. Requests made to people seemed to be forgotten as they were very busy with other pressing demands. Access improved towards the end as I had become more familiar with people or I could try to access the same document from different sources.

A potential problem related to this data source is the issue of reporting bias. Documents may contain unknown (to the reader) biases of those who wrote or produced the documents (Yin, 2003). A considerable part of the documents reviewed were official publications by the GoU. These carried the potential bias of representing official views, and the risk of issues being reported not being verified by independent sources. To counterbalance this problem I reviewed, to the extent possible, some consultancy reports as well. These, however, also have potential biases of those funding the reports, in most cases DPs. Finally, some media documents were used as

an alternative view, particularly when other sources did not provide extensive evidence on sensitive issues (e.g. corruption).

Finally, a minor point to report here refers to a few quotes from official documents that contained grammatical / language errors. Corrections are shown in brackets in the text.

Interviews

According to Yin (2003) interviews form a crucial data source for case studies given that the majority of case studies relate to human affairs. Interviews can also give an in-depth account of understandings and are helpful in investigating reasons for human actions and motivations, which is not the case with quantitative methods such as surveys (Azfar, 2002). The general features of in-depth interviews tend to include: "*their flexible and interactive nature, their ability to achieve depth, the generative nature of the data ... in the sense that new knowledge or thoughts are likely, at some stage, to be created*" (Legard *et al.*, 2003).

For this study a total of 36 in-depth interviews[37] [38] were carried out by me with Government officials, DPs and others. The main organisational affiliations of respondents are shown in Table 4.2.

Table 4.2: Interviewees according to their organisational affiliation[39]

Categories/ Total	**Government**		**Development partners**			**Others**
	MoH	MoFPED	Mainly GBS/SWAp	Mainly Project (but involved in the SWAp)	Multilaterals[40]	
	12	3	5	6	2	3 (technical assistants funded by DPs posted at MoH)
						2 (civil society/NGO)
						3 (consultants who have been to Uganda over a number of years – most since the start of SWAp)
36	**15**		**13**[41]			**8**

[37] A copy of the interview guide used is provided in Appendix 3.
[38] In total 33 interviews were tape-recorded and transcribed (by a research assistant and verified by me). The three interviews not recorded were due to refusal by interviewee (two) or because of technical problems (one). Hand notes were taken of all interviews as a back up strategy. When quoting from transcripts, there were a few instances of grammar corrections when the meaning was being harmed (these are shown in brackets). There were also some instances when notes were used instead of verbatim quotation.
[39] A similar table is available in Appendix 4. Besides the information provided here it also shows the number of interviewees categorised by sex and level of seniority in their organisations.
[40] Interviews with representatives from multilaterals were included as it emerged during the research process that it was necessary to discuss certain topics with them regarding their relationship with the Government and other DPs.

Both semi-structured and unstructured interviews were conducted. As defined by Robson (2002), a semi-structured interview "*has predetermined questions, but the order can be based upon the interviewer's perception of what seems most appropriate. Question wording can be changed and explanations given; particular questions which seem inappropriate with a particular interviewee can be omitted, or additional ones included.*" This approach was taken for interviewing all groups of respondents.

Out of the 36 interviewees, five were key informants[42]. In addition to the formal/semi-structured model used to interview this group of respondents, I also had several informal discussions (unstructured interviews) during the research process with the key informants. For instance, at my last visit to Uganda, two key informants were interviewed further. This was aimed at closing some gaps (after initial data analysis). The unstructured approach to interviewing is described as the situation when (Robson, 2002): "*the interviewer has a general area of interest and concern, but lets the conversation develop within this area. It can be completely informal.*"

Key informant interviews provided expert knowledge about the relationship between the parties; they were accessed over the course of the project, and they provided the big picture and were more reflective than other respondents. This is in line with the definition given by Patton (2002) that "*key informants are people who are particularly knowledgeable about the inquiry setting and articulate about their knowledge – people whose insights can prove particularly useful in helping an observer understand what is happening and why*". The key informants who contributed to this project were part of the organisational affiliations presented in Table 4.2 above.

The sample of interviewees followed a purposive approach. This sampling technique is described by Green and Thorogood (2004) as the situation when interviewees are selected deliberately with the purpose of generating the kind of data appropriate for the research (in line with its aims and driving questions). Purposive sampling, in contrast to probabilistic sampling, "*involves studying information-rich cases in depth and detail*" (Patton, 1999).

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[41] This figure does not represent different DP agencies as more than one individual per agency was interviewed in some cases.
[42] Throughout the results and discussion chapters the abbreviation KI is used for key informants.

The interviewees chosen for this project were selected because they represented national level views and expertise, and it was on the basis of their particular position and long term experience that I could use their perceptions and knowledge as data. They all were actors in the policy process.

While most respondents were involved in general aspects of the contractual relationship at national level, there were attempts to incorporate more specific views. For instance, views from those directly involved in monitoring as well as disease-specific programmes were sought as they would help in answering some of the research questions[43]. Table 4.3 below shows the groups of interviewees according to their specific areas of expertise (it excludes the ones considered to have general expertise).

Table 4.3: Interviewees according to specific areas of expertise

	District level	Disease specific programmes	Monitoring and Evaluation
Government	1	2	3
DPs		2	
Others		1	

Among development partners, I endeavoured to interview representatives of each agency active in the health sector[44]. But there was also an explicit attempt to have a balance in terms of the number of officials interviewed that represented the categories of project and SWAp/GBS donors.

Among Government officials[45], I interviewed individuals from the ministries of health and finance. There was also a deliberate attempt to interview senior and junior officials within Government[46]. This proved to be a helpful approach in checking the statements made by senior staff in previous research in relation to a sensitive topic (political economy of tobacco control) (Seddon *et al.*, 2000). It is recognised that

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[43] This was thought to be helpful in investigating the extent to which final health outcome measures were being monitored in the Ugandan context. To this end, I used a probe approach as adopted in research activities of the Health System Development Knowledge Programme (2001). This approach consists of the use of conditions or specific diseases as a means of bridging the gap between systems analysis and outcomes, for example. The Health Systems Development Knowledge Programme has made use of the following services or conditions: maternal health services, TB, HIV/STIs, under 5 mortality, and type I diabetes. The main justification for choosing this approach is the ability of research to replicate important dimensions of health systems performance.

[44] All DP agencies involved in the health sector were emailed with information about the project and an interview appointment was requested.

[45] The director of IPH (Makerere University) wrote a letter to Government officials informing them about the research project and requesting appointments for interviews. This coincided with a major health sector meeting that most officials were attending and I took the opportunity to follow up the letter personally with them.

[46] This approach was not followed for Development Partner representatives because often there was only one person in charge of health sector issues in each agency.

senior members of staff are more inclined to offer information in line with the organisation's 'official' policy (Allen, 2000). However, the experience in this research was that they were not always less inclined to offer open and transparent information. The ability and willingness to share information easily during the interviews seemed to be related to their own personality (their openness); point in their career (those towards the end, e.g. close to retirement, were more open); and the length of contact between the researcher and interviewer (some individuals with whom I had had more contact or worked with in other projects were more inclined to be more open).

The third category of interviewee involved a group that had links in part to Government and DPs but were seen for the purposes of this research as standing independently. Inclusion of this category was thus a strategy to gain views from a third party and to improve data validity. The category included consultants and technical assistants (TAs) who had stronger associations with DPs as they tended to fund their assignments, although in some cases they were funded through the Partnership Account which was managed by the Government under the SWAp framework. Yet it was considered important to widen the group of interviewees, and NGO/civil society representatives and consultants and TAs may feel freer to speak their views, in comparison to representatives of DPs or the Government who may be inclined to adhere to the official discourse of their organisation. This is of particular relevance as I assume the nature of the contract to be implicit, which makes it difficult for individuals to observe the subtle forms of compensation and incentives.

Combined with the purposive sampling approach, I also used the snowball technique. In each interview I asked the respondent for suggestions of other interviewees. As explained by Patton (2002) "*the chain of recommended informants would typically diverge initially as many possible sources are recommended, then converge as a few names get mentioned over and over*". The technique proved particularly helpful in identifying individuals in organisations I was not very familiar with through the regular meetings observed, e.g. the MoFPED as opposed to the MoH.

A potential problem that can arise with the use of the snowball technique is that the researcher may have to rely on the suggestions and contact details from DPs and Government officials who may suggest interviewees with more favourable opinion of their work. However, as noted earlier, the observation of meetings helped me to become familiarised with the different individuals involved in the policy processes. This allowed me to gain insights about who was in what job and how to distinguish

those of relevance for interview by avoiding imbalances (e.g. only SWAp donors) and potential biases (though these may still have occurred).

In general, the response rate of those contacted for interview was very good. Only one person in government refused to be interviewed explicitly. However, a number of others were approached but due to time constraints on their side, the interviews did not materialise. Out of the group of DPs contacted, only two were not interviewed. One never replied and was not contactable directly during the meetings. The agency of the second had channelled their funds and delegated managerial responsibility to another agency.

One of the difficulties encountered was in scheduling interviews as individuals were very busy. Hence, most interviews were conducted towards the end of the fieldwork period. The main implication was lack of time to perform an interim analysis of findings as the process developed. However, a positive outcome was that more knowledge about the context had been gathered by that point which helped in probing on specific issues. The delay also allowed time to know who was who and thus helped in selecting the interviewees.

There might have been a problem of recall bias. It seemed that more recent problems were considered to be more difficult and past ones less so. It could be that recent problems were more vivid in the mind of the respondents as these were issues they had to deal with at that particular moment. However, this could be a bias of interpretation given the lack of longitudinal data to assess the problem over time. It could also be a problem of institutional memory since there were changes in staff in the various organisations involved over time.

A final problem that could have affected the study is the issue of selection bias. According to Patton (2002), there is an inherent problem with purposeful sampling techniques as they allow for research results to be limited by the selectivity of those who were sampled to be interviewed. In this research there could have been a particular problem with regard to reliance on data generated by key informants who had their own views and who also helped me to be introduced to other people in Uganda. Those they introduced me to could share similar views. As observed by Yin (2003), this may happen "*because of the interpersonal influence – frequently subtle – that the informant may have over you. A reasonable way of dealing with this pitfall again is to rely on other sources of evidence to corroborate any insight by such*

informants and to search for contrary evidence as carefully as possible." In Uganda at the time, there was a perception of individuals in Government being split into two groups. The group of key informants that I had access to belonged to a large extent to one of these groups. Hence, in order to deal with this problem, I interviewed individuals from the other group so as to try to gather a different perspective.

Field notes

A diary of fieldwork activities has been used in recent investigations in health economics (Allen, 2000) and policy analysis where it assisted in the recording of research techniques and findings (Seddon *et al.*, 2000). A diary or field notes can assist in recording overall impressions, insights, and informally collected information. I made use of field notes to record insights and particular pieces of information when these were shared during informal discussions or social events.

4.4 Data analysis

By and large, the analytical process adopted in this research followed the Framework Approach which was developed within the context of applied qualitative research with a view to informing policy developments (Ritchie and Spencer, 1994). Analysis also drew on the thematic content approach (Green and Thorogood, 2004; Patton, 2002), based on the general guidance that it "*is used to refer to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings*" (Patton, 2002). The main analytical steps involved: familiarisation with the data (including data cleaning and checking for consistency), development of a coding scheme (or indexing) based on the identification of a thematic framework, charting and interpretation. This analytical method is more closely aligned with the realist (deductive) approach than with the constructivist (inductive) one. As explained earlier in this chapter, agency theory guided the conceptual framework of this study and was used to generate the first set of themes to code the data. Amendments were made according to themes revealed by the data. Combining these two approaches allows for one to complement the other (Coast, 1999). For instance, amendments allowed for the incorporation of themes generated inductively (e.g. macroeconomic ceiling and GHIs which then were interpreted in the light of key assumptions from agency theory). Some other themes explored through the interview guide were taken out during the analysis. This took

place as they became less central to the guiding research questions and to the analysis of the overall data set as the narrative began to emerge[47].

The thematic content analysis as related to the different sources involved:

a) Interviews

– Interview data were coded[48] but to a large extent data were already framed into themes of the conceptual framework since questions developed for the interview guide derived directly from the research objectives which were informed by the theoretical framework of the study (agency theory). Hence the coding system applied was a closed one.
– Respondents have in most cases answered the questions, in considerable depth, and introduced some new themes that were analysed using an inductive approach.

b) Notes from observations of meetings

– This data set was much less structured than the interview data and was subject to coding using a similar coding system to that used for the interview data.
– Amendments were also made to incorporate new themes revealed by the data.
– Given its less structured nature, this data set allowed for a greater range of themes to emerge (though it contained to a certain extent more factual and less analytical material than the interviews) which helped to enrich the contextual interpretation process and compose the narrative.

c) Documents

– Documents were subject to a broad classification of themes related to the research questions / codes (printed and electronic versions);
– They were summarised and provided general information necessary to describe the nature of the relationship between the parties, more specifically they provided data that allowed for the synthesis of the general contexts and historical interactions.
– They were incorporated into the analysis as needed to support or challenge evidence from other data sources.

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[47] E.g. trust – answers tended to be mechanical not relating in considerable depth to the other themes, patterns and context.

[48] Examples of codes included: effectiveness of monitoring mechanisms; focus of monitoring mechanisms (on inputs, outputs or outcomes); good and bad performance; implicit or indirect penalties and rewards.

d) Field notes

- Data from fieldwork notes were summarised and used to inform the analysis.
- This data source was helpful in allowing for insights to be recorded alongside the data generation process and served as an initial step in the preliminary analysis of the data.

During the analytical process there were intermediary phases characterised by periods of writing up summary narratives of the results or undertaking annotated outlines of the preliminary chapters. These processes helped to clarify the overall structure of the thesis as well as the internal structure of the chapters. They were also helpful in further clarifying the central themes emerging from the data.

By adopting the analytic narrative approach there was an attempt to provide a coherent interpretation of the story of the new aid modes in Uganda at that time and to further understand the various narratives scattered across the assembled data. As put by Bates *et al.* (1998), the analytic narrative method "*pays close attention to stories, accounts, and context…extracts explicit and formal lines of reasoning, which facilitate both exposition and explanation.*" The attempts to form a coherent picture of the whole story by knitting together the different pieces of evidence involved not only formally generated data (e.g. interviews, notes from observations of meetings) but also informally generated data (from living in the country, interacting with people informally, including in social events, and reading the newspapers etc.). Ritchie and Spencer (1994) noted that "*piecing together the overall picture is not simply a question of aggregating patterns, but of weighing up the salience and dynamics of issues, and searching for a structure rather than a multiplicity of evidence*".

Theory led and revealed themes formed the description of the narrative that was used to present the research findings throughout the chapters. The analytical process continued to take place during the writing up process as chains of events were assembled, contrasting perspectives examined, behavioural patterns assessed. At this stage all data sources were combined through the writing of the narrative. During this process, pieces of evidence were questioned (as to how they related to the other data sources), possible associations were tested and drawn, explanations developed, and general inferences were made (iterative process of analysing, structuring and writing). Similar to the experience of Buse (1999), this process of "*examining points of complementarity and diversity of opinion, and interpreting their meaning, presented an integral yet challenging component of the study*".

The quotes selected were those that most clearly and richly expressed the general idea in regard to findings; or those that expressed contrasting views (deviant cases) from the general pattern identified.

4.5 Data quality

Elements of qualitative research that are commonly discussed as being of relevance in relation to quality and rigour include reliability and validity. The former is related to the 'repeatability' of the interpretation undertaken, i.e. the extent to which another researcher is able to reproduce the findings and conclusions (Green and Thorogood, 2004). The latter refers to the 'truth' of the results and explanations provided (*ibid.*). Various techniques have been suggested to contribute towards improved reliability and validity (Silverman, 1993 and 1998; Patton, 1999; Mays and Pope, 2000). These include examples that are discussed below.

With respect to reliability, objective and comprehensive maintenance of records and account of generated data and the analytical process (Silverman, 1998; Mays and Pope, 2000) was followed.

As suggested by Patton (1999), interviews, observation and documentary analysis were used as data sources. This triangulation of different methods should allow for one source balancing the scope for errors and bias of the other (Allen, 2000). One may find, however, that different data sources are not always in consonance with each other, as "*different kinds of data may yield somewhat different results because different types of inquiry are sensitive to different real world nuances*" (Patton, 1999). Hence, methodological triangulation may not contribute towards data aggregation that would add up to a more comprehensive representation of reality (Hammersley and Atkinson, 1983, cited in Silverman, 1993). But further understanding the discrepancies in results across different data sets yielded through different methods can provide further insights into the subject being researched (Patton, 1999) and thus broaden the perspective of the area under investigation.

Member or respondent validation is the process of presenting the preliminary research findings to the subjects under investigation and refining them in view of their feedback (Silverman, 1993). I presented preliminary findings of this research during a

dissemination workshop of Health Systems Development Knowledge Programme activities in Uganda in October 2005. However, Mays and Pope (2000) highlighted a problem with this approach: the interpretation provided by the researcher is broader than that of respondents. It should thus be used as an error reduction strategy and not as a test of validity.

Deviant case analysis (Silverman, 1998; Patton, 1999) refers to the process of searching for and examining negative cases and events that are not in consonance with identified trends. In line with the approach taken in the past by others conducting case studies (Palmer, 2001), the analytical process of this research involved taking into account a range of negative events.

Ethical procedures

Ethical clearance from LSHTM as well as from the appropriate body in Uganda (IPH / Makerere University and the National Council for Science and Technology) was obtained before the start of data collection activities[49]. Consent for interviews was agreed verbally. An information sheet[50] was prepared and given to every interviewee. Confidentiality of data was maintained throughout the research process and no names of individuals interviewed were disclosed.

[49] See Appendix 5 for copy of relevant documentation.
[50] Copy available in Appendix 6.

Chapter 5: Monitoring under imperfect information

5.1 Introduction

Principals delegate actions so they need to rely on observation or monitoring to gain information on the agent's performance. However, it is very difficult to gain information about the agent's behaviour, because of problems related to the tasks of monitoring and verification of performance, i.e. risk, uncertainty, and information asymmetry. The context of multiple layers of international bureaucracy and conflicting objective functions (inter and intra organisational) in the aid environment adds to the difficulties. As noted by Seabright (2002), *"aid agencies face ... greater problems with monitoring the quality of work, because of the lack of direct feedback from beneficiaries in their structure of command and responsibility"*. In addition, complexities related to the health sector (e.g. uncertainties in relation to outcomes being the result of long term efforts and investments as well as of endogenous and exogenous determinants) make the task of monitoring even more difficult. The monitoring task is further compounded by the problem of weak monitoring capacity in resource-constrained environments of low and middle income countries. This is demonstrated by previous work in the area of HIV/AIDS in India (Guinness, 2005) and PHC in South Africa (Palmer, 2001). Hence, the challenges involved in applying the agency model to IDAH include difficulties in obtaining information on the behaviour of the agent (e.g. whether information is being hidden from the principal); problems of risks and uncertainties of measuring health outcomes; and more broadly, the problem of lack of information due to capacity problems of producing data.

New aid modalities offer new ways of managing the relationship between RGs and DPs by altering the incentive and monitoring environment. As noted previously, in a contractual relationship the compensation scheme (penalties and rewards applied by the principal towards the agent) is usually linked to some kind of monitoring strategy. The next chapter will explore the penalties and rewards adopted under the new aid modalities, i.e. SWAp/GBS.

In this chapter, I seek to understand the implications for the aid contract of the focus of monitoring mechanisms, i.e. if on an input-based or outcome-based model. Problems with these models may involve issues of information asymmetry, risk, uncertainties and the behaviour of the parties involved (Government and DPs). The

implications for the aid contract in terms of scope for the agent (Government) to avoid effort or shirk responsibilities, for example, are likely to be influenced by the capacity and effectiveness of the existing monitoring system. Hence I was interested in investigating the extent to which the monitoring processes and mechanisms allowed the principals (DPs) to obtain information about performance.

The evidence for this chapter was drawn from a combination of data sources. These include interview data but also notes from direct observation of the operation of monitoring structures such as JRMs, NHA, HPAC, WGs, and District Visits. In addition, I used minutes and aide memoirs of meetings (e.g. from HPAC and JRMs). Documents and reports were another key data source for this chapter: sector plans (e.g. HSSP), Government reports (e.g. AHSPR), policy documents and reviews (e.g. MTR), and local reports and other documents (e.g. letters, research or consultancy reports), some made available through the HDPG email list or during meetings attended. Finally, I also made use of notes from informal discussions/accounts [as provided by DP representatives, Government officials, others (NGO representatives and consultants)].

5.2 Focus of monitoring mechanisms, related effectiveness of these mechanisms and implications for the aid contract

In the Ugandan health sector, responsibility for assessing performance lies mainly with JRMs. With the introduction of the SWAp and given the overall context of increased concern for aid effectiveness, this new monitoring mechanism attempts to focus on outcomes / results rather than inputs to a greater extent than in project modes of assistance. Hence, this section investigates the focus of the M&E processes and structures adopted by GBS and SWAp in the health sector – whether centred on inputs, processes, outputs or outcomes.

The use of performance indicators in the Ugandan health sector evolved from a situation where it was important to have clear processes functioning (HSSP, performance report for the sector, guidelines, Budget Framework Paper, support to districts).

> *At the start of the sector plan, the focus was on processes rather than outputs like: actual drafting of sector plan, to hold JRMs on time, preparation of annual performance reports, recruitment of staff, and money reaching districts. Having*

or not having these things at the beginning was a big measure of performance. (KI – 2, DP representative)

Once these processes showed signs that they are working, the focus moved to outputs which started to be owned by both Government and DPs.

When donors became comfortable with the processes as agreed between them and the Government and the related actions, they began to own the outputs whether it was high or low. (KI – 1, Government official)

Based on consensus reached among health sector stakeholders, 18 national level indicators were selected to monitor the performance of the health sector strategic plan. These HSSP performance indicators prioritized process and output measures: input, 3 indicators; process, 4; output, 9 (2 are not identified). The five Poverty Eradication Action Plan - PEAP - indicators (out of the 18 indicators) were also mainly output indicators - as presented in Table 5.1.

Table 5.1: PEAP indicators

PEAP Indicators	**Category**	**Source**	**Progress up to 2003/04**
Utilisation of out-patient services	Output	HMIS	doubled
Immunisation rates for DPT3	Output	HMIS	doubled
Deliveries in health units	Output	HMIS	stagnant
HIV prevalence rates	Outcome	Sentinel sites / ACP reports	decreased (up until 2002/03, data not available for 2003/04)
Proportion of posts filled by qualified staff	Output	HMIS/staff inventories	doubled

Source: MoH (2004c)

The choice of the above output indicators was justified in terms of the need to argue that a greater consumption of health services would be contributing to improved health outcomes (Yates *et al.* 2006). In addition, given uncertainties related to reaching targets/outcomes, the focus was said to be based on a range of process and output indicators.

Later, during the discussions of the second HSSP, there was interest by the parties in assessing performance vis-à-vis outcomes. This is explored in section 5.4. Table 5.2 shows the use of performance indicators over time.

Table 5.2: Evolution of use of performance indicators over time in the Ugandan health sector

Beginning of HSSP:	on inputs and processes
Around time of field work:	on outputs
HSSP 2 / future:	increasingly on outcomes

As shown in Table 5.3 below, depending on the focus of the monitoring mechanisms, there may be different implications for the aid contract. In order to assess the extent to which these have been occurring in the Ugandan context, the effectiveness of the existing Government system in terms of its capacity and behaviours of the parties are further explored in sections 5.3 and 5.4.

Table 5.3: Implications for the aid contract and focus of different monitoring mechanisms

	Input model	**Outcome model**
Focus	Inputs, processes and outputs (e.g. budgetary expenditures).	Outcomes (e.g. changes in morbidity and mortality).
Implications for aid contract (Martens *et al.*, 2002) and (Adam and Gunning, 2002)	Agent shifts effort to activities where outputs are easily monitored (budget controls as opposed to quality measures).	High costs of measurement, problems of verification, lack of capacity which may facilitate the scope for the occurrence of opportunistic behaviour.

5.3 The input-based model of performance and related implications

This section explores problems related to the input-based model of monitoring processes and mechanisms under the new aid modalities (SWAp/GBS). In order to do this, the section examines the effectiveness of existing Government mechanisms and processes used for monitoring performance, in relation to their role in reducing information asymmetries, i.e. how much they can reveal of the performance and behaviour of the sector/agent (in this case the RG). Specific areas covered include: data production and analysis; reporting system; and verification processes.

Government information and monitoring systems improved considerably after the start of HSSP I (alongside the process of introduction of the SWAp and other health sector reforms). However, there were still considerable difficulties involving data production, analysis and effective use for decision making in Uganda, both at national and district levels, which hindered the monitoring of performance and the reduction of information asymmetries even if various M&E structures and processes had been put in place and/or strengthened.

The Government tended to recognise improvements, as for example:

> *The beginning was difficult but things have improved. The challenge at times was that people were not aware of what they were supposed to do. Regular discussions and agreements have made people more committed. The system*

is now regular, more consistent, with clear objectives, and with districts. (Government official)

In contrast, while development partners acknowledged improvements, they pointed to persisting weaknesses:

Most systems (in place) are to a certain extent working, or are in place but data or information is not being presented or used for decision making. But monitoring per se is taking place. (DP representative)

5.3.1 Data production and analysis

This sub-section reviews problems related to the Government system for data production and analysis. It covers the routine data collection system [Health Management and Information System (HMIS)], funding and management issues.

The HMIS, which uses facility-based data, appeared to have improved over the period of the SWAp.

The health information system is starting to function better but not as good as it could be. Apparently Tanzania has a strong district approach in their system. (DP representative)

HMIS is poor but it is improving. It is not good for figures but one can use the trends shown. (KI – 4, other)

Persisting limitations, however, of the HMIS included data incompleteness and constraints related to data entry (in most cases data entry was delayed) (notes from various meetings, e.g. HPAC January 2004). Another problem was that the HMIS did not provide disaggregated data (e.g. per gender, age and income gradients) (MoH, 2003d).

Nevertheless, as noted above there were improvements in relation to completeness and timeliness. These two indicators were tracked through the district league table. Overall the combined percentage values for these indicators increased from 15.6% in 1999/2000 to 52% in 2000/01 (*ibid.*). In 2004, overall completeness was 89% and timeliness 85% (MoH, 2004c).

Limitations of the HMIS noted above are likely to be related to a series of challenges faced in relation to M&E within the MoH. For example, from observations during the preparatory meetings of HSSP2, it was noted that the agenda for the WG on Monitoring and Supervision did not include a discussion of the HMIS. Yet this should be a crucial area for enhancement during the second sector plan (with a duration of five years) and should be at the core of the activities of a WG on monitoring.

Further shortcomings experienced by the HMIS are also likely to be related to problems of the Resource Centre (RC) in fulfilling its mission of producing up-to-date and reliable information for decision making. The RC (part of the MoH) is responsible for overall data gathering and analysis for the health sector as a whole, as well as for providing guidance in this area to districts.

> *The resource centre is still severely understaffed, under-funded, and lacks strategic direction.* (Ssengooba *et al.*, 2004)

> *Inadequate capacity in the resource centre to analyse and disseminate information submitted has resulted in failure to establish a reliable information base for the sector.* (MoH, 2003d)

There was poor coordination of initiatives to analyse existing data by the different programmes hindering its effective use by policy makers.

> *Uncoordinated development of information systems by line programs does not facilitate development of the Resource Centre.* (*ibid.*)

> *Some programmes re-analyse data in their area because work by the Resource Centre is poor..... There are anomalies in the system such as differences between UNEPI data of DPT3 coverage of 72% and Annual Performance Report of 84%. In theory these are based on the same data but different analysis, by different teams.* (KI – 2, DP representative)

There was a lack of support to districts in analysing and making use of their own data. As observed during the district visits, while data collection was taking place at facility level, it lacked analysis. Motivation to carry out the analysis was often poor at facility level as HMIS forms were expected to go to the RC and there was no feedback.

> *If reporting is mandatory then feedback from the centre* [should] *also be mandatory* (District Government official during a JRM)

Below district level, monitoring and feedback were considered to be even worse. There was a weak definition of the roles of sub-districts and their links to communities.

> *M&E between districts and communities is almost absent.* (Government official)

With respect to the commitment of the RC, the poor quality of its management was widely recognised as a problem (noted by various KIs). According to discussions during the 2003 JRM, even though the RC reported directly to top management, this higher managerial level was said to lack time to follow up on the problems faced by the RC. This suggests there was a considerable degree of indifference towards producing and analysing reliable data in the health sector; if not, even top management in the Ministry was unable to find time to support the RC. Participants in the discussion (2003 JRM) suggested making the RC directly accountable to HPAC (i.e. getting donors to monitor its performance more closely). But even the regular quarterly reporting supposed to be produced by the RC was not being submitted to HPAC (MoH, 2003d). Yet this had not turned into a serious matter of concern for donors in their discussions with the Government – although requests have been made for regular reporting (see section 4.3.2[51]). Hence it is questionable whether making the RC accountable to HPAC would necessarily improve its performance. In addition, it is an internal management issue that should not be handed over for oversight by DPs but resolved by the MoH.

The RC also faced the problem of lack of resources. This involved both capital and recurrent funding and was particularly severe in relation to staffing levels (MoH, 2003d). Only about 30% of the RC vacancies were filled (*ibid.*). At district level there was also a severe lack of personnel dedicated to monitoring tasks, especially records assistants (*ibid.*). Those in post also lacked technical expertise, for example records assistants were in need of supervision and on the job training (notes from observations of meetings). Skilled human resources in this area were considered to be in short supply overall in the country, although donor projects seemed not to be facing such severe problems of under-staffed M&E (notes from observations of meetings).

A question here would be the extent to which donors were willing to provide direct (financial) support for strengthening the RC given its problems of poor capacity. While

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51 Sub-section: HPAC's role in enforcing reporting of performance.

offers had been made to strengthen the RC, they only came to fruition on a limited scale – as provided by WHO, DANIDA and USAID (KI – 1, Government official).

> *There was a lot of interest in supporting the resource centre. But its poor management scared donors away.* (KI – 1, Government official)

Since donors appeared willing to provide greater financial support to the RC, as noted above, it seemed to be problems more closely related to the RC management and lack of political commitment of the Government that posed a barrier to improvements. On the other hand, DPs could have put more pressure on the Government to have such management problems resolved or at least ameliorated.

5.3.2 Reporting system

With the introduction of the first HSSP and the implementation of various reforms (including the SWAp), efforts were made by Government and DPs towards institutionalising and improving the quality of routine reports used to assess the performance of the health sector. In this sub-section, I examine these efforts and the effect they had on the system of data dissemination.

Reporting of indicators

There was some improvement in the reporting of HSSP monitoring indicators over time. Table 5.4 shows the number of indicators, of the 18 HSSP indicators, for which data were available from 2001 to 2004.

Table 5.4: Data availability for HSSP indicators from 2001/02 to 2003/04

Indicators	AHSPR – Year
8	2001/02
9	2002/03
12	2003/04*

*Although data were not updated since 2002/03 for 2 indicators
Sources: MoH (2002c); MoH (2003c); MoH (2004c)

Therefore, by 2003/04 one-third of the indicators were still un-accounted for.

Some indicators were listed as having HMIS or internal reports as data sources (which should be routinely collected) and yet reporting for 4 of them was not available (in the AHSPRs), as shown in the Table 5.5.

Table 5.5: Reporting of selected HSSP indicators

Category	Indicator	Baseline	Data source	Reporting			
				2000/01	2001/02	2002/03	2003/04
Output	Health facility level specific number of C/sections per 1,000 deliveries within the catchment area of the facility	yes	HMIS	NA	NA	NA	NA
Process	Percentage of facilities without any stock-outs of chloroquine, Oral Rehydration Solution (ORS), cotrimoxazole and measles vaccine	yes	HMIS	NA	NA	yes	yes
Process	Percentage of disbursed PHC Conditional Grants funds that are expended.	yes	Monitoring reports	NA	NA	NA	NA
Input	Percentage of PHC Conditional Grants funds released on time to the sector (non-salary recurrent and capital).	NA	Based on Health Planning Department, MoH, MoFPED data	yes	yes	yes	NA

Source: MoH (2005a)

For instance, as shown in Table 5.5 (the third indicator), there was inconsistent reporting in relation to the PHC Conditional Grants releases and expenditure, even though it should not be difficult to get hold of this information from the MoFPED/districts. This begs the question as to whether the Government was hiding information from DPs because of a lack of commitment towards monitoring (and potentially as a means to cover any misconduct) or simple inefficiency/lack of capacity. PHC Conditional Grants form part of the Poverty Action Fund and as noted earlier should in principle be the focus of close attention by those DPs that provide budget support through this channel.

In relation to more difficult to measure indicators, such as those related to quality and access, reporting had also been irregular. Table 5.6 summarises reporting available for the 4 indicators based on survey/mapping data:

Table 5.6: Reporting for HSSP indicators based on survey/mapping data

Indicator	Purpose	Reporting	Data source	Baseline
Proportion of surveyed population expressing satisfaction with the health services	Quality	No survey	Community survey	NA
Malaria case fatality rate among children <5years old	Quality	One estimate was carried out in Regional Referral Hospitals (seems that survey was not conducted)	Population survey	NA
Percentage of fever/uncomplicated malaria cases (all ages) correctly managed at health facilities	Access	No survey	Facility based survey	NA
Percentage of population residing within 5km of a health facility [public or Private Not-For-Profit (PNFP)] providing the UMHCP (Ugandan Minimum Health Care Package) by district	Access	1 mapping conducted in 2003/04	Mapping	57%

Source: MoH (2005a)

A question worth asking here is whether the Government was shifting effort to activities where outputs are easily monitored (budget controls as opposed to quality measures) but as noted above not even budget controls were being monitored regularly. DPs appeared not to be holding the Government accountable to those given that reporting for a few indicators had been missing over a long period of time – 4 years for example for the indicator of percentage of PHC Conditional Grants funds released on time to the sector (non-salary recurrent and capital).

Another problem hindering the monitoring of progress of the HSSP was lack of reliable baseline information (MoH, 2003d). As noted from the 2 tables above, benchmarks were missing for a number of indicators – 4 out of the total of 18 indicators (MoH, 2004c), particularly those reliant on survey data. An audited benchmark seemed only to be available for the HIV prevalence rate based on the sero-prevalence survey of 1988.

> *There is little clarity on the sources and validity of the baseline values adopted.*
> (Ssengooba *et al.*, 2004)

For example, with respect to the maternal health indicator used by HSSP/PEAP (percentage of deliveries in health facilities), it was noted that the source for the baseline indicator was not known as there were different data sources being used (Ssengooba *et al.*, 2004 and notes from meetings e.g. PEAP revision meeting October 2003). The source of the figures used for following up this indicator over the years were also said to be unclear – institutional deliveries: 25% in 99/00; 17.5% in 01/02; 20% in 02/03 (KI – 2, DP representative).

Health sector PEAP targets agreed at the start of HSSP (in 2000) were later revised midway through the implementation process. Some were revised upwards and some downwards as shown in Table 5.7.

Table 5.7: Changes to agreed health sector PEAP targets as per the AHSPR 2004

	Original target as per HSSP Document	Revised target as per AHSPR (dated 2004)	Revised upwards (↑) or downwards (↓)
Out-Patient Department (OPD) utilisation	0.6	0.7	↑
DPT3 / pentavalent vaccine coverage	80%	85%	↑
Deliveries in health facilities (Government and PNFP)	70%	35%	↓
Approved posts filled by qualified health workers	80%	52%*	↓
National average HIV sero-prevalence as captured from Ante-Natal Care (ANC) surveillance sites	1.7%	5%	↑

*This target had already been changed in the AHSPR of 2003 to 48%.
Sources: MoH (2000b) and MoH (2004c)

The AHSPR 2004, which described the changes in the target levels as shown above, provided no explanation as to why these alterations took place. In the 2003 report though, it was noted that given the dynamic nature of the implementation process of HSSP, targets were revised mainly due to the lack of resources available for carrying out the related activities (MoH, 2003c).

The changes seemed to have taken place in order to reflect more closely the realities of implementation. It is questionable though whether the original targets should not have been kept to show shortcomings in performance. Poor performance might have been covered up by targets being changed along the way which could have been due to lack of effort or commitment on the side of Government as opposed to lack of resources which was claimed to be the motive.

Key health sector performance reports / reviews

Although the first Annual Health Sector Performance Reports (AHSPRs) were considered to be of poor quality, with programmes reporting from an implementation perspective (e.g. number of workshops held or meetings attended), later reports, as for instance the report for 2003-2004, have been commended for providing a good synopsis of the sector's performance with regard to key outputs at the central and local levels of government, in spite of some programmes still reporting on the basis of inputs (Ssengooba et al., 2004). Frequency of reporting has also improved.

At the beginning annual reports would be delayed about 3 years. Donors have done a lot of work, they couldn't wait 3 years to account back and made this clear to government. (KI – 1, Government official)

Before SWAp there was no annual health sector performance report. All there was, was the statement to parliament on progress of the sector which was descriptive, not helpful. From there the annual health sector performance reports were institutionalised and the quality has improved from the report of 2001/02 to the one of 2002/03. (KI – 2, DP representative)

League tables were introduced with the purpose of ranking districts according to their performance as measured against a set of indicators based on HMIS and other sources of data (MoH, 2003d). The key objectives of the league table were to compare and contrast performance across the districts, share as a learning experience the successes from the well-performing ones and provide strategic support to those districts identified as poor performing (MoH, 2003c).

However, the use of HMIS data can give rise to a number of questions in regard to the validity of the league table given problems experienced by the system (incomplete and inaccurate nature of data). For example, one indicator is the percentage of health units submitting complete HMIS returns. As observed during discussions at the 2003 JRM, the number of units within a district reporting their HMIS forms was considered as complete in the league table, but the contents may not be complete in the forms returned.

> *In theory, performance should be captured by the annual reports and league table. But these reports will only be as good as the data and the capacity to analyse and produce them is. There was lots of* [missing] *data which would effectively change the order of the districts and completely invalidate the process.* (KI – 4, other)

At central level (MoH), there were quarterly review retreats and quarterly work-plan reviews.

Quarterly review retreats were led by the RC and focused on the review of HSSP indicators (e.g. OPD and malaria case load) using HMIS. It was noted that these retreats "*sort of happen even though they are not great"* (KI – 2, DP representative). Shortcomings in the performance of the RC as discussed in the previous sub-section

could be linked to the possible explanations underlying the poor quality of these quarterly review retreats.

The quarterly work-plan reviews were led by the Quality Assurance Department (QAD) and should generate the quarterly reports on the basis of progress against the work-plans for central level programmes [technical programmes, i.e. the basic package which is part of the Uganda Minimum Health Care Package (UMHCP)] and departments. The quality of reporting was considered to be poor (not results oriented, often just a list of activities performed, such as purchase of equipment, vehicles) and lacking management enforcement and feedback (internal verification), as mentioned by various KIs.

> [The] *in charge of technical programmes reports against the work-plan (activity, progress, comments) but nobody checks what you are reporting. Only basis is a verbal / oral presentation. No progress on indicators is shown. Senior management gives very poor feedback to technical divisions.* (KI – 3, other)

The reporting by technical programmes also suffered from a lack of liaison with the RC for production and analysis of data (poor validity) (various KIs). Moreover, these reports were not being submitted to HPAC on a regular basis (MoH, 2003d) and so it is questionable whether they were being produced on a routine basis. The lack of a consolidated MoH work plan (discussed during various HPAC and JRMs) was also likely to have hindered the aggregation of the reports presented by the programmes and departments. In addition, the production of the AHSPRs was obstructed by central programmes and departments that did not submit their reports in the standardised forms (MoH, 2003c; MoH, 2004c), although this was said to be improving over time (KI – 1, Government official).

> *Budget Framework Paper priorities need to be translated into prioritised work-plans for different departments and divisions within the ministry which then can feed into the quarterly reporting of progress and can facilitate the preparation of the annual performance report, and quarterly retreats and reviews need to be of better quality.* (KI – 4, other)

These problems are likely to be partially related to lack of capacity (lack of expertise and number of staff) to analyse existing data. Other reasons for these problems may be associated with issues of poor management and declining commitment towards monitoring, particularly on the side of the Government.

Firstly, during the HSSP2 preparation retreat, it was observed that there was some lack of interest from technical programmes in the discussions of the WG on monitoring and supervision. For example, representatives of only 3 technical programmes attended this WG during the retreat: HIV/AIDS, UNEPI and RH. Malaria, which constitutes the highest disease burden in the country, was not present. In addition, the presentation of this WG during the retreat was the least attended in terms of number of participants. A quote from the WG presenter echoed the lack of progress/interest in this area: "*we need to see this area really working better than under HSSP1*".

Secondly, the QAD which was responsible for producing these reports seemed to face some problems of management similar to the RC, as noted by a number of KIs. In addition, based on observations of various meetings of the WG on Monitoring and Supervision (during JRMs and the preparatory phase for the second HSSP), it was noted that this WG – which is also led by the QAD – seemed to lack high level political support. The leadership of the WG was often not present to lead the deliberations, hindering the scope for decision making as those deputising did not seem to have full delegation. In addition, there was also not significant representation of development partners during the WG meetings which could have acted to counter balance the ministry's lack of commitment.

Further, the Health Systems WG remarked that the WG on Monitoring and Supervision had not been meeting regularly during the preparations for HSSP2 unlike the other WGs (notes of observation from SWG meeting). Even the Government, which was chairing the Health Systems WG meeting, confirmed this problem.

Finally, the top management of the MoH did not seem to be very dedicated to enforcing that programmes and other central level departments produce these reports regularly and up to set standards (notes from observations of meetings).

PHC conditional grant monitoring reports (which focus on performance at district level) consisted of an assessment of work-plan implementation, service delivery outputs achieved in each quarter against set targets (PEAP indicators), and budget performance and compliance with national guidelines (MoH, 2003d). According to various KIs, the monitoring of these grants took place regularly at the beginning of HSSP implementation. However, around 2003 and 2004 visits and reporting appeared to be less frequent. For instance, in 2004 there were no PHC Conditional Grants

monitoring reports available until May. In 2003 there were 2 reports out 4 due. Conversely, in 2002 all 4 reports were produced (information provided by Government official).

However, as shown in Table 5.5, PHC Conditional Grants reporting for percentage of funds expended was not available in the AHSPRs from 2000/01 to 2003/04, even though it should have been made available in line with the information provided above. The reporting presented in the AHSPRs was likely to be the result of the yearly consolidation of reports as provided by districts. There might have been a time lag for submission of these between the end of the FY in June and the tight schedule for the production of the AHSPRs in October. If districts did not submit these reports, the MoH could have reported on the basis of the reports for the quarterly monitoring visits. This was noted as a problem during the MTR (MoH, 2003d). The area teams[52] and the district league tables that were created later were a response in trying to deal with such difficulties (KI – 1, Government official). Yet the lack of reporting by districts persisted (albeit with some improvements), as illustrated by the district league table of 2003/04 when data were available for a number of districts though not all (MoH, 2004c).

The lack of interest of top and senior management was mentioned as a significant problem in relation to enforcement of the visits and reporting.

> *The technical people are committed…but the top and senior management are not seriously interested in this commitment. For example, the quarterly reports we are supposed to prepare like this financial year, we have only monitored once simply because there was no money* [to carry out the visits], *and this is PAF money. You make a request for the money to come so that we can submit a report and it does not come. You tell top management and they don't take it serious.* (Government official)

Because these conditional grants are part of PAF, MoFPED requires the submission of monitoring reports before the next tranche of funding is released. But PAF, as noted earlier, is also part of GBS and the MoFPED is likely to be operating under a request from DPs in the first place. Yet even this requirement was being ignored as funds continued to be released in the absence of reporting (Government official).

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[52] Through this strategy groups of staff from the MoH pulled from various departments (e.g. planning, disease specific areas, quality assurance etc.) were responsible for providing long term support to a selected group of districts (about 3 to 8 districts per group) (Murindwa et al. 2006).

This should be a very crucial area of concern for DPs since PAF funds have been specifically earmarked / protected for poverty-alleviating activities. Some DPs only contribute to the budget by financing this specific fund. Yet accountability as seen here was deficient. Also of concern is the quality of the reports (when they are made available), as put by one DP representative: "*they have to give us a report on how they spent our money. This doesn't have sense because they can write what they want*". This statement highlights the concern in relation to the lack of verification or checks and balances in the system as the Government can write the report in such a way as to show the information that they want and hide the information they would prefer not to share on poor performance – to their benefit.

Improving the quality of reporting should also involve enhancing the quality of the data used and the systems that produce and analyse the data. As one KI (KI – 4, other) highlighted earlier, *"reports will only be as good as the data and the capacity to analyse the data and produce them is"*, even if frequency of reporting (AHSPR) and new reports (league tables) have been put into place.

This begs the questions as to what extent DPs were really engaged in gaining more information on the performance, and why they would allow Government to continue with practices of poor reporting. As noted by another KI (KI – 1, Government official), when donors put pressure on Government to have AHSPRs produced on a regular basis, this happened. DPs fund the production of AHSPRs, which were presented yearly as one of the accounts of performance during the JRMs. Hence, pressure to have these reports available was perhaps likely to be linked to the agreement of presenting the reports at JRMs but may also be linked to visibility issues – where donors could show their joint work with the MoH. Other reports, such as the quarterly workplan reviews, might be seen as internal documents to the MoH. This could perhaps explain why they emphasised efforts towards improving one kind of report and not others.

<u>HPAC's role in enforcing reporting of performance</u>

A committee that meets once a month will to a certain extent deal with various process issues. However, HPAC seemed to lack strategic focus by not paying close attention to reviewing and analysing the sector performance.

> *The HPAC agenda is frequently overloaded with operational and information sharing issues, rather than more strategic matters.* (MoH, 2003d)

As part of an overall strategic approach, HPAC was not reviewing key reports on a regular basis. For example, the Mid Term Evaluation of HSSP recommended that the MoH started to share a number of reports for discussion at HPAC in early 2003, which were considered crucial in fulfilling the mission of the Committee.

> *MoH should provide to HPAC members all relevant reports from the Ministry of Health, such as the Quarterly and Annual Reports, Minutes of the Sector Working Group, Quarterly Analytical Reports on the HMIS, PAF monitoring reports, Quality Assurance and other supervision reports, reports of the Workings Group, etc on a more regular and timely basis.* (MoH, 2003d).

By May 2004 the situation had not yet improved and caused concern among health DPs. In a letter to the chairperson of HPAC[53], the HDPGs listed a series of reports / minutes they would like to receive on a regular basis for review at HPAC (HDPG, 2004b). Besides those listed in the recommendation of the MTR above, these included minutes from ICCs, and reports (half yearly) from area team visits.

More broadly, DPs suggested that M&E issues could be part of HPAC agendas on a regular basis (HDPG, 2004b). This included, for example, the follow up on undertakings. This signalled some level of pressure from DPs upon Government towards improvements in information sharing.

A MoH work plan, if existing and operational, would facilitate the process of following up progress by HPAC and allow greater transparency: *"It is still a challenge to have an annual work plan, with costing, for the MoH"* (DP representative). Yet Government seemed not particularly engaged in working towards producing yearly work plans. As noted in the previous section, this problem has contributed to hindering effective reporting (e.g. quarterly work plan reviews) and increasing information asymmetries.

HPAC attendance of key Government staff seemed to be a problem which has weakened the mechanisms of reporting to HPAC. It was observed during HPAC meetings that some staff in charge of reporting different actions were not regularly attending the meetings or did not prepare the necessary reports regarding agreed actions.

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[53] The Director General of Health Services.

> *Attendance of directors and commissioners has been inconsistent, thus affecting the timeliness of action from the various section*[s] *of MoH.* (MoH, 2003d)

There seemed to be a lack of clear definition of roles and strategic use of existing structures and committees (e.g. WGs and ICCs) as to how they could feed back into HPAC in regard to monitoring performance.

> *The relationship of many of these committees to HPAC needs to be streamlined and formalised, if conflicts and contradictions are to be avoided and duplication of work minimised.* (MoH, 2003d)

According to a KI (KI – 2, DP representative) ICCs facilitated the reporting of technical programmes and since many of them received project funding, this mechanism (ICCs) helped to integrate projects into the SWAp. However, their potential in regard to integration of projects seemed not to be fully realized. From the point of view of another KI (KI – 3, other), SWAp structures like HPAC served to monitor the big picture and could focus on the major budget lines. Conversely, ICCs should look into the details of programme areas, like smaller budget lines, but this was not taking place.

> *I think the ICC meetings are very important and if donors are on board and know what the issues are, (they) can use these meetings to monitor performance, but they aren't really using the ICC meetings for this.* (KI – 3, other)

In relation to problems of reporting by ICCs and WGs, and lack of enforcement of their reporting by HPAC, one could raise the question as to whether these reports were not available because these structures weren't functioning (i.e. having regular meetings as they were supposed to, for example). Or perhaps these structures and committees lacked a clear agenda to focus on and which they were accountable for on a regular basis. For instance, when WGs met to discuss the preparation of the second HSSP they seemed to operate more effectively (notes from observation of WGs meetings).

Further, through observation of HPAC meetings, the need for improvements in the management systems of the MoH for discussing and dealing with more internal problems was noticeable. HPAC meetings seemed to be used as a channel for MoH

staff to expose issues/problems[54], possibly because high level officials such as the DG were present. Hence, instead of being a forum for the clear reporting of progress to DPs, HPAC appeared to be used as a space for MoH departments to interact and solve internal issues.

5.3.3 Validation and verification

According to Adam and Gunning (2002), Uganda has no verification system for health statistics (all data are self-reported by the MoH and there is poor external audit capacity). As previously mentioned, resources and commitment are not even sufficient for managing the HMIS and reporting is also deficient. In this sub-section, I review problems related to strategic planning and financial resources in the area of validation and verification.

NHAs /JRMs may serve as fora for data validation, to cross-check performance information, and so may the district visits (which include visits to facilities) as observed during JRMs when district staff or others can challenge information presented if they think data for their district was misrepresented. However, these are not formal and systematic (lacks reliability) evaluations. As pointed by a KI (KI – 3, other): "*JRMs are based more on perceptions and they don't monitor numbers at all*".

Another validation effort is the triangulation of data used to produce the AHSPR reports. Though their main source is HMIS data for districts and annual and quarterly reports for central level programmes, other sources include (MoH, 2003c; MoH, 2004c):

- Reports of actions and undertakings (JRMs);
- Research and other studies undertaken by various stakeholder institutions (though it is not clear which studies are chosen to be included).

While these validation efforts represent good practice, they are not based on the use of independent and rigorously designed studies or audits that would provide verification of performance in the health sector.

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[54] Examples included discussions on introduction / implementation of community-based programmes; difficulties faced by NMS to deliver drugs to districts; and pay disputes of health workers (notes from observation of HPAC meetings).

From the observations of discussions during the JRMs, it seemed that survey data, more specifically from the Demographic and Health Survey (DHS), were considered as an important independent gauging tool for performance. However, while DHS results were mentioned often, there appeared to be no system for making use of these data in a more systematic way. This is also likely to be related to the fact that as a large-scale household survey, it only takes place every 5 years. The last one available at the time of fieldwork was for 2000 (year of data collection).

One example of the use of an external quality audit was that of immunisation data carried out for GAVI. This was found on GAVI's website and the report is dated from 2002 (LATH / GAVI, 2002). During fieldwork, no unprompted report of this audit was made by interviewees or during meetings observed. It is not very clear the role played by such exercises. It could have contributed directly to data improvements within the Expanded Programme on Immunisation (EPI) programme or even more broadly in the HMIS, but this would require further investigation.

In HIV/AIDS it seemed that survey data were produced more regularly. As reported by an interviewee (Government official), an (active and passive) surveillance system had been in place since 1988 (in antenatal clinics). A population-based cohort (12,000 patients) study was conducted in a district and had been monitoring incidence since 1989 (Rakai Project, 2002). This project was funded by various research institutions (e.g. Columbia and Johns Hopkins Universities) as well as other international bodies (e.g. USAID). In addition, a national sero-prevalence survey was carried out in 1988 and the second one initiated data collection in 2004. The second national survey was funded mainly by the Centers for Disease Control and USAID. Results of Knowledge, Attitude, Behavioural Practices (KABP) studies, which were run every 2 years, were said to be used as well. From reviewing the report of the HIV/AIDS component in the AHSPR, it was not clear though how these different data sets were combined and reported. For example, Table 3.5 (on Performance against HSSP STD/HIV/AIDS Indicators) in the AHSPR of 2003/04 did not identify the data source for each indicator reported. In addition, the results of KABP studies seemed not to be reported as regularly as every 2 years, given that data were not reported for indicators such as "knowledge of two methods of prevention of HIV transmission" and "median age at first sex (years)". Or if these indicators were produced through the national sero-prevalence survey or DHS, this was not clearly indicated in the report of 2003/04 (MoH, 2004c).

A burden of disease study was supposed to have been conducted as part of the preparations for the second HSSP. As per notes from HPAC and HSSP 2 preparatory meetings, the study did not take place due to lack of time and resources. DPs mentioned the study as being of great importance as it would contribute to having a benchmark to allow for rigorous follow up of progress of the second strategic plan. Given the Government's limited resources, the study was to be funded by DPs. Initially, the study was designed by WHO and was to be funded by WHO and the World Bank, but they seemed to have lost interest. WHO argued that the study was designed in line with the WHR 2000 rankings based on burden of diseases methodology which was later subject to various criticisms (Williams, 2001; Almeida *et al.*, 2001).

DPs discussed with Government (notes from HPAC and HSSP 2 preparatory meetings) the need to identify other sources for data collection as well as the need to have a sentinel surveillance system in place. The example was given of the Tanzanian district-based site surveillance system. However, up to the end of the fieldwork, no further deliberations in relation to this were observed.

Another opportunity for studies to be conducted seemed to be have been missed by the health sector stakeholders (Government and DPs). The Ugandan Bureau of Statistics (UBOS) carries out household surveys every 2 years. Further engagement of the sector with UBOS could result in improvements in the data available.

It seems that with the exception of the DHS, which is donor driven/funded, organised at an international scale, and on a regular basis (i.e. an established system), attempts to conduct or improve verification systems focused on disease-specific areas where there is greater availability of interest and earmarked funding by donors, like GAVI with vaccines or USAID with HIV/AIDS. Greater availability of data in the HIV/AIDS sector may also be related to HIV being a 'sexier' disease for DPs who have more funds earmarked for this area than any other. But efforts related to broader systems of verification have not come to fruition, for example burden of disease and the link to UBOS household surveys.

5.4 The outcome-based model of performance and related implications

This section analyses potential difficulties related to the trend of moving towards a greater use of outcomes for monitoring performance. In addition, I explore the likely problems arising if aid resources are more clearly linked to achieving improved outcomes.

While outcome indicators were not part of the agreed list of HSSP indicators, they were becoming increasingly referred to as a measure of performance. Both the PEAP (2004/05-2007/08) and the HSSP revisions (2005/06 to 2009/10) signalled a move towards a stronger focus on outcomes (MoFPED, 2004f; MoH, 2005b). Donors commended Government for greater attention to outcomes as opposed to processes (e.g. during a meeting regarding the launch of HSSP2). Of particular interest were infant and maternal mortality ratios.

Problems raised by interviewees related to outcome measurements in the Ugandan context included the following:

- They required time consuming methods like population-based surveys such as the DHS.

- Verification methods such as surveys were often said to be costly[55] and to depend on international funds. However, as shown for example by the cost of the second Ugandan HIV sero-behavioural survey – USD 3 million for a sample size of 10,437 households in 2004 (email communication with DP representative co-funding the survey dated 25/05/2004) – this did not seem to be such a costly exercise. A government official argued that the reason there was a 16 year gap between the first and second HIV sero-prevalence surveys was because these surveys were so expensive. But it may be that the cost of conducting the survey is not such a problem; more of an issue is that it is reliant on donor funding and the related unpredictability and preferences of those donors.

- Health outcomes could only be measured within medium to long time intervals given the time span necessary for changes to take place. For example, the DHS

[55] This is in line with the argument made by Adam and Gunning (2002) in relation to Uganda in particular due to the decentralised nature of the Government administrative system.

takes place every 5 years and HIV sero-prevalence surveys took place in Uganda for the first time in 1988, with the second one in 2004. However, it was a matter of debate in Uganda what would be the appropriate time frame for measuring health outcomes like infant and maternal mortality. For instance, during preparatory discussions of HSSP2, some Government officials noted that the new plan should focus on indicators that were changeable over the time frame of 5 years. Maternal and infant mortality and HIV prevalence were not included because these are considered higher up and cross-cutting sectors. They were seen as PEAP but not HSSP indicators. Some disagreed though, as noted by one official: "*five years are too short to measure outcome indicators and as we prepare HSSP II we need to start thinking about indicators over a 10 years time frame*" (Minutes HPAC February 2004).

- There were difficulties in understanding the causal link between inputs and outcomes, hence the inclusion of intermediary indicators / proxy measures that may help to clarify the gaps in understanding the causal chain as well as difficulties related to the measurement of outcomes.

  Data is old [UDHS], *not clear whether Uganda is performing or not. Outcome data takes long to be produced.* (KI – 1, Government official)

- At the technical programme level, HSSP1 was said to have selected few intermediate / proxy indicators to monitor performance on a short term basis.

  *There are good proxy measures like deliveries in health facilities and CYP for FP … [*that could be used given that*] … the system for vital registration in Uganda is very fragmented (maternal deaths).* (KI – 2, DP representative)

The HSSP 2 list of indicators did not include any outcome indicator but it included a greater number of indicators related to technical programmes [particularly Reproductive Health (RH) / Maternal health] (MoH, 2005b).

A KI (KI – 3, other) noted that in a 2 year interval, it is possible to bring down the Maternal Mortality Ratio (MMR) with the availability of post-abortion services (legal and cheap) and provision of FP reinforcing the value of using intermediate indicators to monitor progress[56]. Since 2002/03, CYPs were being used as a proxy indicator for

[56] In the specific case of MMR, it is a very difficult indicator to measure because of the relative infrequency of its events as well as the need for large sample sizes when calculating reliable estimates. Thus output indicators are often recommended such as the percentage of supervised deliveries by a skilled attendant (World Bank, 2004a).

contraceptive prevalence rates which were only measured through DHS every 5 to 6 years (Erickson, 2004). CYPs were being derived from HMIS data.

In this context, there were arguments for the use of a balanced mix of indicators to gauge performance.

> *Need to look at input and process indicators, like training and human resources which is very important for RH. I think a combination of indicators is ideal.* (KI – 3, other)

Evidence regarding improvements of health sector performance was said to be centred on MMR. But some interviewees supported the idea of adopting a broader range of measures to be used as good health systems performance indicators (as the combination of the PEAP indicators).

> *Development partners are under pressure to show Uganda is working. So there is need to persuade people to look at a broad range of indicators for understanding health systems performance like access, quality, coverage, and equity.* (KI – 2, DP representative)

5.4.1 Risk / uncertainties in using results-oriented management / performance based contracts

In this sub-section I investigate problems of risks and uncertainties related to the use of approaches such as ROM and performance based contracts. I also explore in more depth risks and uncertainties involved in achieving improved results for a particular health outcome, maternal health.

This is of interest given the context of a potential move towards performance based contracts linking aid disbursements to outcomes. Complexities explored in relation to maternal health include supply and demand side issues and contextual elements.

The drive by Government, particularly the MoFPED, towards Outcome-Oriented Budgeting and ROM (PER 2004 meeting notes), following the international trend, seemed to be very much informed by the concern for improving efficiency and centred on the causality postulate (from inputs-process-to-outputs to outcomes). As discussed in the PER of 2004 (meeting notes), one of the MTEF priorities was to foster a better

tracking, feedback and coordination system for monitoring progress as resources were being spread too thinly to achieve results. The need for a greater focus on cost-efficiency and cost-effectiveness in policy making was highlighted. In line with the MoF guidelines, spending proposals should be linked to programme outputs according Outcome-Oriented Budgeting (PER 2004 meeting notes).

However, many of the reform elements introduced in the budget process focused on tracking inputs as opposed to outputs/results. These included, for example, the PER; LTEF and MTEF; Budget Framework Papers; SWGs; tracking studies; an integrated financial management system; and the integration of project aid into MTEF (project aid corresponds to 24% of total public expenditure). In addition, some of these new mechanisms were still not delivering up to the expected standards. For instance, the PERs were said to be unable to track where the resources were going given the fragmented nature of the information systems (PER 2004 meeting notes). Tracking studies were seen as complementary to help close the gaps but they were not considered to be comprehensive (PER 2004 meeting notes). Conversely, a consumer satisfaction survey, which could provide feedback on results (on quality as perceived by consumers) and was recommended by the MTR (MoH, 2003d), had not been carried out and was not being planned for FY 2004/05 [as it neither appeared as a priority (un-funded) nor was budgeted in Budget Framework Paper discussed 23 April 2004].

Within Government, a critique of the causality postulate was starting to take place, in line with the point made by the discussant of the health sector paper during the PEAP revision. The discussant highlighted that one needed to understand the process behind increased funding (inputs) and increased outputs, which involved controlling for other factors including those lying outside the sector and not simply assuming a linear relationship between inputs and outputs (PEAP revision meeting notes, 2003). Donors also noted this as a problem:

> *The trend …. is to pay for what is delivered away from input/processes to results. But SWAp should be about processes and outputs, as without processes you can't get to outputs.* (KI – 5, other)

There seemed to be growing 'anxiety' among stakeholders to know what the funds were producing and to have a better understanding of the national picture of activities and outputs. There was a great deal of discussion (e.g. during HPAC, HSSP2 preparatory meetings, HDPG) about the need to improve the focus and the efficiency

of the basic package within the HSSP which should generate the sector's outputs. Many suggested the need of having a mechanism to track funds into the priority areas within the basic package and the need for more analysis. For example, it was argued during a HDPG (meeting notes) that there should be a possibility of assessing money going to priority areas by comparing programme expenditures with priorities agreed in JRMs and HPACs. The district league table, for example, was meant to be an attempt to close the information gap in this area and improve understanding of performance at district level.

As pointed out by Adam and Gunning (2002) more research may help clarify the problem of technical uncertainties between inputs and outputs. However, the use of evidence-based interventions seemed not to have been prioritised over the course of HSSP1.

> *Here a bit of everything is done but there are no concerted efforts really…there is lack of a cost-effective and evidence-based policy.* (KI – 3, other)

The research and development WG during the first HSSP seemed to have focused on establishing the legal set up for creating a research body but very little was done in terms of bridging the gap between policy and research. Very limited government resources were allocated to research and there were only *ad hoc* measures to direct, produce or concertedly make use of existing research (Ssengooba *et al.*, 2004).

The lack of adoption of evidence-based decision making seemed to have been recognised, and during the preparatory meetings for HSSP2 (e.g. during the JRM 2004) a number of suggestions were made in order to address this shortcoming. It was suggested that research should be broader than the previous focus on clinical issues and should include studies on the quality of care (including consumer satisfaction), social support mechanisms and value of contracting modes. Districts were told that they should conduct more operational studies and include budget allocations for them. Technical programmes were told to plan according to basic interventions (focusing on reaching outcomes, e.g. reducing maternal mortality) which were proven to be effective and could make a difference towards scaling up. But these were plans for the future; whether they will materialise is not clear.

In this context of uncertainties and risks in producing health outputs and outcomes, I explored respondents' views about introducing a performance-based system where financial rewards would be used against progress on indicators.

Interviewees tended to deem it possible that problems would arise if an explicit incentive system for performance were put into place. When asked about the associated problems (weaknesses / risks / uncertainties) with linking them to disbursement of funds, one interviewee said:

> *If the performance based approach were so easy, all the people working in development assistance wouldn't be struggling for so long.* (DP representative)

The range of problems raised within the health sector included:

- Agreeing on the indicators and targets to be achieved within a given period; for instance, it was said that it took some time to agree and reach consensus on the indicators for HSSP and there are risks of over as well underestimating performance.

The process of identifying how much could be achieved on a yearly basis was also not clear. For example, the undertaking of 80% of hospitals providing Emergency Obstetric Care (EmOC) [agreed during the 2003 JRM (MoH, 2003b)] did not seem to be based on a thorough assessment of the existing capacity. But it seemed the target was defined on the basis of the best guess of participants (or recollection of experience) (notes of observation of JRM 2003 and subsequent HPAC meetings). An increase from 33% to 80% could be linked to pressure to increase the current low level of EmOC coverage. The decision was taken among participants of the JRM and in subsequent HPAC meetings that finalised the undertakings. Such definitions lacked further clarifications such as the denominators involved. For example, in the concept note for the PRSC 04 prepared by the World Bank it was not clear where the percentage increase of 20% comes from, i.e. what the evidence basis for a 20% increase was.

> Outcome 12 (reduce child mortality, improve maternal health, and combat HIV/AIDS, malaria and other diseases) - in relation to expected outputs over the next 3 years, "*Uganda is expected to …increase proportion of static health facilities offering family planning services by 20 percent*" (World Bank, 2004b).

In such circumstances, it is more likely that the risk averse agent will pressurise for agreement on setting the targets at low levels that are easily achievable or on vague targets where achievement can be claimed irrespective of the underlying performance.

- How to judge performance on the basis of a few selected targets/indicators as the assessment should be made according to the overall performance of the sector (risk of over-simplification or misinterpretation of development efforts).

  To judge performance on a few achievements raises the questions as to whether it is appropriate to say the health sector has succeeded or not simply because either the HIV rate hasn't gone down as much as you'd hoped or for some reason we haven't managed to attract those staff into that area, or because we haven't got that strategy agreed or that constancy hasn't taken place or that tracking study hasn't happened. Surely you ought to be making a judgment on overall performance. (KI – 2, DP representative)

The risk of choosing a few indicators might be that the agent would shift effort towards the targets that were being monitored and avoid effort towards those not being monitored and rewarded.

For example, projects funded by UNICEF and the EU (EDF) emphasized number of boreholes drilled and provided rewards for them but attention to the process and quality was not given, so many of the boreholes collapsed after one year. (Government official)

However, if assessment of performance is to be based on the overall progress of the sector, a much improved system of M&E would be necessary and the basis for reward would have to be clarified.

- There would be scope for data manipulation.

  Example of the UNEPI project for East Africa .....when we were at the district level, they would tell you we want 95% coverage, so they were not emphasizing much the process of immunisation....but they were only emphasizing outcomes, expecting 95% coverage. Even to the extent that when the president of the country visited the district the thing he would ask was 'what is the coverage here', 60%, who is the DMO here, replace that DMO. So what happened was that people started manufacturing figures because people want results but not the processes of these.... We started to get 100% coverage for some antigens in some districts where you had epidemics of measles. (Government official)

- It might create a culture of dependency on incentives.

The polio campaign offered incentives to health workers. Once that stopped and they were asked to resume routine immunisation, they wanted to receive incentives for that as well. (Government official)

- A culture of nepotism would contradict performance-based system rewards on the basis of merit.

  There seems to be a certain amount of nepotism and favouritism and a culture of financial reward not based on performance but on who you know or who you're paying off. (KI – 5, other)

- Difficulties due to the team nature of activities performed that contribute to results.

  There is danger that it can demotivate some people who are working but overall performance is not improving and you can't pin down who is performing well or not. (Government official)

- Periodicity of disbursements was usually yearly, consequently output indicators (as opposed to outcomes) would be more suitable.

Other difficulties were related to disentangling performance contributions as well as factoring in risks and uncertainties that lie outside the control of the sector:

- Because performance of health indicators would be determined in multiple.

  There are risks because if you tag release of funds to outcome measures then it may be that the health sector does its part but the other sectors don't and outcome measures either decline or stagnate. (Government official)

- There were also contextual / governance elements that contributed to performance.

  In Northern Uganda, given problems of insecurity, support based on performance needs to take those issues into account. Things don't always go as planned and these can be for good acceptable reasons. (DP representative)

Political uncertainties that might have influenced the potential for realisation of improved health status included the preparations for the elections and shifts in funding priorities, e.g. increased defence budget (discussed in more depth in the next chapter in relation to penalty failures) and unpredictability of aid.

Unpredictability of aid flows by DPs might be affected by the political scenario both in the recipient country (e.g. if DPs respond to governance problems by cutting aid) and in the donor country or internationally (e.g. need to contribute to war on Iraq). The Government noted for example the difficulties of relying on donor finances when planning to scale up activities and with funds being attached to performance.

Uganda was among the countries that pushed for an international response to Anti-Retrovirals in Africa but now look at the problems we are facing. Aid flows and aid mechanisms are unpredictable, how to link performance to flows then? Make countries go even crazier? (Government official)

Performance-based contracts and challenges in improving maternal health outcomes[57]

Given the current debates within the aid community to move towards performance based contracts (e.g. outcome-based-aid, paying for results), this section uses maternal health as an illustration of an outcome area and related challenges involved in improving health outcomes and monitoring these. When seeking to improve and monitor maternal health outcomes, a number of factors emerged in the Ugandan context regarding the behaviour of the Government. These included commitment / leadership and performance of the Reproductive Health Division in the MoH (e.g. its monitoring behaviour vis-à-vis districts).

Political commitment towards RH was considered to be low, in particular with regard to family planning (MoFPED, 2003b; MoH, 2005a). Related to lack of political and financial commitment was the lack of clear leadership and a common vision for RH.

> *Government lacks commitment. It needs to choose a strategic direction and clearly prioritise. There is need for leadership.* (Others)

Richey (2003) contrasted the lack of leadership in RH with the high level commitment and guidance provided to HIV/AIDS in the country. This may be related to conflicting views (lack of a common vision) within Government on RH, particularly family planning. The president was openly against family planning. He often used an economic argument when advocating for large family sizes as a large population would increase the size of the Ugandan market (various KIs).

Within the health sector, support towards family planning activities was patchy. A number of officials favoured family planning targeted at child spacing (based on notes from observations of various health sector meetings). This strategy seemed to have been used as a different policy and not as part of a comprehensive approach agreed within Government. There seemed not to be a consensus on a common policy to deal with the issue of rapid population growth and actors in the country could have perhaps built on the existing strategy of child spacing as a starting point. This fragmented view is reflected at district level.

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[57] Maternal health indicators in Uganda offer a bleak picture: e.g. the maternal mortality ratio in 2000 was 505 per 100,000 live births (MoH, 2004c) and only 14% of health facilities (in 55 districts) provided Emergency Obstetric Care (EmOC) as per a needs assessment survey carried out by the MoH between 2003 and 2004 (MoH, 2004e).

Those clearly in favour of a comprehensive approach towards family planning were DPs and the MoFPED. The latter arguments were often backed up by the figures of a 6.9 fertility rate (third largest in the world) and 3.4% p.a. population growth (MoFPED, 2003b) and the excessive burden these figures represent for service delivery.

The MoFPED created a task force to specifically examine the causes of child and maternal mortality in Uganda and propose recommendations for improvements (MoFPED, 2003b). According to the report, mortality reduction was approached as a peripheral problem and should feature more strongly as part of the national development policies clearly prioritised in the PEAP. This would involve a strong element of intersectoral collaboration across various line ministries. Donors have also recognised the need for a multisectoral response and how best to mobilise other sectors to contribute to tackling this problem. For instance, the PRSC mission (World Bank, 2004b) noted that the PEAP review should reflect the need for a greater focus on population and reduction of the fertility rate as well as the need for the health sector to work more closely with other ministries.

The MoFPED's view appeared to be that while maternal mortality was related to cross-cutting determinants; it was within the health sector that more could be done (MoFPED, 2003b). However, the report of the task force and later responses from the MoFPED avoided clearly assigning responsibility for the coordination of the multi-sectoral response towards maternal health outcomes (HPAC notes meeting December 2003).

There was a suggestion that the office of the Permanent Secretary of the MoH was to take this up (notes from observations of HPAC meetings). However, the office did not appear to be willing and sufficiently competent. It was intimated that the office is often too overwhelmed in dealing with the demands of the minister and has not been effective in its role of liaising with other sector ministries (informal discussions with KIs). The Reproductive Health Division within the Ministry would be another unit which could potentially be assigned the role of coordinating the necessary multisectoral response, but it did not seem to have the required power/status (was often undermined within the MoH) nor, according to my observations, a clear interest (it did not seem to perceive any particular incentives apart from accepting additional work load).

The weak capacity and performance problems of the Reproductive Health Division within the MoH, as well as the incentive environment offered by DPs, seemed to be other contributing factors towards the lack of progress in maternal health indicators.

There was an Acting Head of the Reproductive Health Division for a considerable time (from early 2003 until early 2005), thus hindering the effective management of the division. Out of a total of eight posts assigned to the division, there were four vacant posts (senior nursing officer, senior nutritionist, senior medical officer and principal medical officer). The division also had two technical assistants provided by UNFPA (focusing on EmOC) and DFID. However, it was said that one of them was not actively engaged in the work at the Ministry. (Above based on interview with a KI – 3, other)

Based on observation of various meetings and informal accounts, it was noted that mainly the head of the division (while still acting) and the one TA provided by DFID were taking responsibility for the division's assignments. For instance, the DFID TA prepared district performance ranking tables using key RH indicators (e.g. CYPs and assisted deliveries) to be disseminated during HPAC and ICC meetings. During HSSP 2 preparatory meetings of the working groups, technical officers of the Reproductive Health Division were mostly absent, with the exception again of the DFID TA. Officers in the division were said not to be carrying out supervision / monitoring visits to districts (although the budget line assigned for this seemed to have been spent).

> *Reproductive Health has not been organising any monitoring visits to districts yet the resources in the budget for this disappear anyhow.* (KI – 3, other)

When asked about why officers in the division weren't attending these meetings or conducting district supervision, it was reported they preferred to attend project-funded workshops in districts (because of the payment of per diems), or do consultancy work.

The overall management seemed unable or unwilling to change the situation by attracting the staff's efforts towards the MoH's priorities for RH. It was informally reported (by KIs) that members of the management themselves were often seeking project per diems and consultancy work. There were, in addition, rumours that the wealth of some individuals did not match their MoH salary.

RH was made a priority area in 2001/02, 2002/03 and 2003/04 (MoH, 2003c; MoH, 2003d). In so doing, the area was supposed to receive more Government funds.

However, additional funds did not appear to have been allocated to the division or the area in view of the scarcity of funds for RH often reported (Ssengooba *et al.*, 2003; Erickson, 2004; MoH, 2003d). And a number of system bottlenecks persisted, such as contraceptive stock outs while there was approximately 38% unmet need for family planning (KI – 3, other).

In relation to the above issues, a KI (KI – 3, other) said:

> *RH has been made a priority area for the past 3 years, it is talked about in different meetings, but there has not been enough staff recruited, or resources channelled, targets set and monitored. Projects take away MoH capacity by offering them incentives like per diems for training workshops, or consultancies. MoH and donors are not tackling this problem of capacity being taken away from MoH to deal with the priorities of the RH's division within the Ministry.*

While there may be advantages in using a vertical project approach when delivering RH activities, it was also recognised that they may bring a plethora of adverse effects (Goodburn and Campbell, 2001).

In Uganda, as observed in various meetings, some development partners also pointed out the limited achievements in RH and noted the problems (among others) created by vertical programmes, particularly those funded by UNFPA and USAID (e.g. meeting notes from JRM 2004). Reliance on project funding by the RH division seemed to have led to unpredictable flows of funding, focus on the interests of donors and fragmented implementation of activities (some districts get chosen while others not).

According to an estimate provided by a Government official, the Reproductive Health Division received about US$750,000 per year from the MoH budget allocated for contraceptives and staff salaries. While project funding, mainly from UN agencies, amounted to approximately US$6-7 million per year, a KI (KI – 3, other) reported that donors tended to approach the RH division directly and contribute different amounts of funds. However, these were not submitted to the SWG where project funding should be prioritised, harmonised and assessed against value for money and equity considerations.

> *Project money is not leading to improvements of RH indicators.* (KI – 3, other)

For example, UNFPA was said to have been funding the same 24 districts for the past 30 years. However, improvements on RH indicators in these UNFPA districts were reported to be non-existent (KI – 3, other). When confronted about this, UNFPA and other donors were said to disregard results of where they have invested and evidence of where (which districts) to invest. The Government (RH division, Health Planning Department, top management, MoFPED) was said not to be holding UNFPA and other donors to account in this respect.

SWAp/GBS donors seemed to prioritise RH, in particular EmOC, more in discourse than in practice. There was limited orientation to results as targets or RH indicators were not followed up on a systematic basis during JRMs, HPAC and ICCs.

> *EmOC was identified as a problem at JRM, but there is no follow up to that over the year, say at the ICC with donors – including to look at the workplan, costs and budget. It is a dream. Within EmOC there is poor prioritising and everybody does a little bit, but overall there is poor coherence and lack of concrete results. Donors are not being serious when making RH a priority.* (KI – 3, other)

The role of a functioning health system in preventing maternal deaths is well recognised (Goodburn and Campbell, 2001). While this was also identified as a crucial element by various stakeholders in Uganda, the sector's overall lack of funding, as noted in relation to the lack of commitment, was often cited as a reason why results in improving maternal health have been so poor (various interviewees; Ssengooba *et al.*, 2003; MoFPED, 2003b; MoH, 2003d).

Particularly reliant on a functioning health system is the strategy of emergency obstetric care. The basic elements of this strategy should be available as an integral part of health services delivered at district level (Goodburn and Campbell, 2001). However, in Uganda, as noted earlier, only 14% of health facilities could provide emergency obstetric care (MoH, 2004e). The situation proved to be even worse at Health Centres level 4, where only 10% of operating theatres were said to be functioning (meeting notes e.g. JRM 2004; Erickson, 2004). A KI (KI – 3, other) noted:

> *EmOC lacks a health systems approach (human resources, blood, transport, infrastructure). The approach so far has focused on technical fixes with a project approach.*

All basic areas of health service delivery relevant for maternal health seemed to face considerable constraints, as detailed in the Table 5.8.

Table 5.8: Constraints to health service delivery in relation to maternal health

Management	*Analysis of different data including district league table (using management and outputs indicators) for RH pointed to issues of poor management at district level leading to poor outputs."* (KI – 2, DP representative)
Infrastructure	There was lack of adequate infrastructure (MoFPED, 2003b), particularly at HC III and IV levels (MoH, 2003d) which were not well equipped and funded (Ssengooba *et al.*, 2003).
Drugs and supplies	There were frequent stock-outs of essential RH drugs and commodities (MoFPED, 2003b) such as for example: contraceptives, HC delivery kits, blood, IV fluids, gloves, drugs to manage post partum haemorrhage, eclampsia or sepsis (MoH, 2003d).
Human resources	The quantity and quality of staff were said to be problematic. There was lack of qualified staff (Yates *et al.*, 2006), in particular of midwives, and the overall distribution of staff was skewed towards urban centres and hospitals (Ssengooba *et al.*, 2003). Women perceived the quality of care provided by midwives in health facilities as poor, therefore, hindering demand. According to Erickson (2004) some studies in Uganda described midwives as being "*lazy and non-responsive, unsympathetic, uncaring and unsupportive, demeaning and rude to patients and focused on efficiency, hygiene and orderliness, and insensitive to important cultural traditions*".
Referral system	The referral system was ineffective (Yates *et al.*, 2006) and the poor transport infrastructure was said to be a compounding factor – e.g. ambulances were nearly absent (Ssengooba *et al.*, 2003). The quality of the road network and railway (MoFPED, 2003b) and the unavailability or expense of public transport (MoH, 2003d) were also noted as problems.

Various potential factors seemed to play a role in influencing demand for RH care in the Ugandan context:

- There was an entrenched value in Ugandan society for large family sizes. Men in particular are said to value large families as they are associated with virility and strength besides functioning as carers for when you reach old age (Erickson, 2004). In addition, women's status is also considered higher if they have large numbers of children.
- Pregnancy and delivery were not perceived to be medical conditions but natural events (Yates *et al.*, 2006; Erickson, 2004). In line with this was the notion that deliveries take place at home and not in health facilities.
- Women's status and lack of control over resources was another factor affecting the decision to seek care during pregnancy and deliveries (MoFPED, 2003b; MoH, 2003d; Ssengooba *et al.*, 2003).
- Costs incurred by households to reach a facility were also influencing factors. These include time, transport (particularly if referral is necessary[58]), formal and informal fees for services (Ssengooba *et al.*, 2003; Yates *et al.*, 2006).

[58] In cases of complications this was more likely to be the case given that emergency obstetric care was available on a limited basis, particularly so at health centres (requiring referral to district hospitals).

In terms of contextual elements, improvements in maternal health outcomes seemed to have been compounded by insecurity and poverty. Uganda went through years of dictatorship and political instability and more recently has been fighting an insurgence movement in the Northern parts of the country, which together have resulted in the neglect of funding towards social services (MoFPED, 2003b).

Another obstacle, according to Pyle *et al.* (2000, cited in MoFPED, 2003b) is food scarcity in rural areas and declining per capita production of food. Related to food scarcity is general poverty in the community which is a further element argued to have compounded maternal health outcomes in the country. As put by Ssengooba *et al.* (2003), "*many households rely on large numbers of children as a source of labour, and women are expected to work when pregnant or near delivery*".

Inequalities in health care utilisation are also of concern, particularly in the context of the high percentage of the population still living under the poverty line (38%) (World Bank, 2004a). Women from wealthier households are said to be consistently more likely to utilise family planning and maternal health services, e.g. ANC, delivery in health facilities etc. (*ibid.*).

5.5 Summary of findings

In this chapter, I was interested in assessing the effectiveness of the Government mechanisms and processes of monitoring as related to their role in reducing information asymmetries. I found that there were a number of improvements in monitoring and reporting since the start of HSSP in 2000 (e.g. improved quality and regularity of AHSPRs and introduction of league tables to rank district performance). However, considerable problems highlighted that monitoring capacity and ability to assess performance was still weak. This hindered the extent to which the monitoring mechanisms and processes could reveal of the performance and behaviour of the agent (the Government). Problems included:

- Lack of coordination of monitoring activities and weak communication in this area between districts and the centre.
- Incomplete reporting of output measures and other indicators of access and quality of care (e.g. internal MoH reports as the quarterly reviews and the PAF

monitoring reports were often not available or if available were of poor quality, and presented problems of validity).

- Systems in place were short of quantifiable measures of performance (objectivity) (e.g. lack of reliable baseline information for a number of indicators; some targets were changed along the implementation process).
- There was a general problem of lack of strategic planning and financial resources concerning the validation and verification systems. Validation mechanisms like JRMs and triangulation of data for the AHSPRs lacked a formal, rigorous and independent approach. Verification efforts seemed to rely on unpredictable donor funding. This source of funding also concentrated on areas of interest to DPs which tended to be linked to large scale and/or well established international surveys such as the DHS and disease-specific ones (e.g. on vaccinations by GAVI and HIV/AIDS by USAID).
- There were considerable problems of weak capacity (e.g. lack of human resources, equipment, and training for district personnel) of the RC which led the information system for the sector to be unreliable.

The underlying reason for the identified weaknesses in the monitoring system seemed to be related to the lack of effort (high level commitment) towards improvements from the agent and its principals – a) Government [e.g. senior / top level officials not being particularly engaged in efforts towards improvements of the performance of the RC (in spite of the need to have a well functioning RC in order to produce better quality data)]; b) DPs [e.g. not putting sufficient pressure on the Government as when they accepted that budget funds continued to be disbursed in spite of PAF monitoring reports (accountabilities) not being available].

Even though new aid modes (SWAp/GBS) are associated with a greater focus on outcomes, in Uganda I found that during the implementation of HSSP1, the Government monitoring system focused on inputs, processes and outputs (input-based model) to a greater extent than on outcomes.

According to interviewees, issues that would compound the problem of imperfect information, if the monitoring system were to focus on outcomes were that this would: require time consuming methods; depend on donor funding; require long time intervals between measurements; lack clear causal link between inputs and outcomes, and hence need to use proxy / intermediate measures.

With respect to other information problems - risks and uncertainties - concerning the use of ROM or performance-based contracts, respondent's views were that these were due to:

a) Within the sector: difficulties in agreeing on indicators and targets (risk-averse agent); risk of over-simplification or mis-interpretation of efforts; risk of efforts being shifted towards monitored targets and indicators; scope for manipulation of data;

b) Outside the sector: health having multiple determinants; governance/political problems and behaviour of DPs (unpredictability of aid flows).

In this context, the causality postulate (from inputs-process-to-outputs to outcomes) was challenged by views that there was a need to better understand the processes of implementation. However, little effort has been put into the research and adoption of evidence-based interventions by the agent (Government) and principals (DPs).

A number of problems were identified when analysing the specific outcome area of maternal health/RH. This was used as an illustration of the kinds of challenges the aid community is likely to face throughout the monitoring process if discussions around the adoption of performance based contract (e.g. paying for results, focusing on an outcome based model of monitoring) materialises. These problems, summarised below, highlighted the kinds of complexities involved in monitoring the effort of the agent in contributing towards improved health outcomes. Maternal health (MMR) was chosen as an outcome area that has been argued to be a suitable indicator of access to health care and of the functioning of health systems (Goodburn and Campbell, 2001).

- Problems related to monitoring the behaviour of the agent (Government) included; Lack of leadership and common view towards RH and population growth; Lack of political and financial commitments; Weak overall Government coordination towards a multisectoral response and intersectoral collaboration (e.g. not clearly prioritised in the PEAP); and weak capacity and performance of the RH division (partially linked to shortages of staff and staff diverted to donor project-funded workshops and consultancies). There were also issues concerning conflicting objective functions between the agent and the principals, these involved unpredictability of aid flows and focus on activities and districts of interest to DPs (also bypassing Government control

mechanisms like SWG). Other monitoring problems involved risks and uncertainties related to the various determinants of maternal health outcomes: Health systems constraints (problems in relation to referral system, staff shortages, skewed distribution of staff within the country, poor quality of care provided by midwives, frequent stock-outs of essential RH drugs etc.); Demand side barriers (women's status in society and related lack of control over resources, household costs to reach a health facility etc which hindered their ability to access health care); and insecurity and poverty added to uncertainties and information asymmetries.

Chapter 6: Rewards, penalties and constraining factors within the aid environment

6.1 Introduction

New aid modalities of SWAp and GBS have contributed to change the nature of the relationship between DPs and the Government. Ensuing changes and results from the adoption of SWAp and GBS include the introduction of new monitoring structures, greater use of performance indicators as well as improved donor coordination and coherence of policy.

However, these new aid modalities have not led to an explicit compensation scheme being established (Adam and Gunning, 2002). In this chapter, the compensation scheme is understood as the system of penalties and rewards operated by the principals (DPs). Penalties and rewards function as mechanisms of control of the agent (Government) on the basis of what has been monitored and how well (or not). Hence, good performance of the agent should be rewarded and poor performance penalised.

In this chapter, I first review the formal system of performance appraisal which forms the basis for the compensation scheme as agreed between the parties, and assess the extent to which penalties or rewards are applied by DPs towards the recipient Government. Secondly, given difficulties in developing an effective explicit compensation scheme in the complex aid environment, I examine ways in which the formal system of penalties and rewards as operated by DPs vis-à-vis the recipient Government seemed to be distorted. Examples of failure to reward and penalise and related constraints are analysed. Thirdly, in view of the lack of penalties being applied, I review the possible reasons that DPs and the Government may have for distorting the system. It is hypothesised that the lack of progress towards an explicit compensation scheme may be in the interest of DPs who rely on countries such as Uganda (success story or good-performer) as show cases (incentive to present successes to their principals – tax payers in the donor countries).

The evidence for this chapter was assembled from the main data sources used for this research. Similar to the sources used in the previous chapter, here I have combined interview data with notes from direct observation of meetings such as the

JRMs, PERs, HPAC and HDPG. Aide memoirs of these meetings were also used. Other documents used as data sources included: AHSPRs, Annual Budget Performance Reports, consultancy reports and some media reports. Notes from informal discussions with representatives of donor agencies, Government and other stakeholders were also taken into account when gathering evidence for this chapter.

6.2 Review of the formal system of performance appraisal

In this section the formal system of performance assessment, which forms the basis for penalties and rewards, is presented and its effectiveness analysed.

6.2.1 The JRMs Performance Appraisal System under the SWAp/GBS

For donors providing GBS or support to the sector, JRMs represented the main instrument of performance assessment related to the health sector (based on review of various Aide Memoirs of JRMs). The outcome of the Joint Review process (a declaration of satisfactory progress) triggered the release of funds for some development agencies, particularly those providing sector-support. Donors supporting the general budget released funds on the basis of the outcome of the JRMs of other sectors as well, such as education and water and sanitation.

The JRMs system of performance assessment seemed to be a comprehensive one, based on the review of (from various Aide Memoirs of JRMs):

- National level indicators as presented in the AHSPRs, particularly the agreed PEAP indicators (health);
- Undertakings (priorities), one or two priority programmes, and a tracking study for the following year;
- Joint District visits to selected districts, which included visits to different types of facilities, with a view to assess progress on areas such as human resources, financial flows, information and management systems, and agreed technical priority areas.

However, the assessment of performance by DP representatives was said to be based on: a review of overall progress on issues such as those that had or had not

been solved during HPAC through the year and a 'general feel' (KI – 2, DP representative); and discussions on general progress held during the JRMs.

> *We have our internal discussions once a year where we see how far our support is coming and feed back home what has happened but things we say would be the things we get out of the JRM.* (DP representative)

> *We have as a sector tried to take an overall view of things, reasonable progress considered against undertakings, evidence of improvement in terms of the PEAP indicators and our general assessment of what's happening ….. which is horrendously subjective but we sit round as a donor group and we have long discussions about this.* (KI – 2, DP representative)

While discussions held among DPs regarding perceptions of progress lacked objectivity, they had the upside of being carried out by the group of health DPs. This allows insights from different persons / organisations to contribute to a more in-depth evaluation as different sources of information are pulled together. The joint nature of this approach to assessing performance seeks a common view or a consensus-based decision as opposed to a subjective decision based for instance on the views of one advisor or one agency, when it is done outside the JRM/SWAp framework.

The subjective nature of the system of assessment was also noted by the fact that DPs accepted as satisfactory, incomplete performance progress against agreed PEAP indicators and undertakings. It was not necessary for 100% of all undertakings or all targets for improvements of the PEAP or HSSP indicators to be achieved in order for funds to be released. By declaring progress as satisfactory at sector level, there were no conditional impediments for funds to be released.

> *Actually we don't go by the undertakings agreed and technically I am not sure we've ever got all the undertakings completely achieved. Last time, we got closest, with most of them achieved.* (KI – 2, DP representative)

Over the time covered by this research, no reports were found of explicit penalties being applied to the Government due to poor performance as reviewed during the JRMs. Funds were withdrawn or suspended in the past and threats of cutting aid were made, as discussed in section 5.3, but these were not linked to an objective and explicit system agreed with the Government as related to poor performance at the sector level.

Next, I review in more detail the Joint Review system of performance assessment (focusing on national level indicators; undertakings and district visits) and explore its lack of explicitness or consistency in regard to rules for definition of poor performance and responses in the JRMs.

National level indicators, including the health sector PEAP indicators

As noted in Chapter 5, reporting of progress in relation to the agreed performance indicators between the parties as presented in the AHSPRs was incomplete; health sector PEAP targets agreed in 2000 were later revised (upwards and downwards) during the implementation process; and progress against the five health-related PEAP targets was variable. While figures have indicated considerable improvements towards OPD and DPT3, for instance, deliveries in health facilities remained stagnant. Yet, penalties for lack of progress in relation to achieving these targets had not been imposed.

Undertakings

As shown in Table 6.1, not all undertakings were achieved during the period of review. The best output is a 100% achievement for the 9th JRM, although lack of reporting hindered a more thorough analysis of the precise level of achievement of these undertakings. In other JRMs, full achievement of agreed undertakings (not counting those partially achieved) was as low as 1/6, as in the case of the 8th JRM.

Table 6.1: Number of undertakings achieved or not vis-à-vis total number of undertakings per JRM

Reporting from JRM	Total number of undertakings	Number of undertakings achieved	Number of undertakings not achieved or achieved partially
10th - Oct. 2004	9	5 (however some undertakings were very vaguely worded thus facilitating report on progress – see table 6.2)	4 partially achieved (see examples in the second table 6.2)
9th - Nov. 2003	Aide memoir states that "*all four of the undertakings from October 2002 JRM*[59] *had been achieved*". A detailed table with the list of undertakings, means of verification, and progress made against them was not provided in the aide memoir.		
8th – April 2003	6	1	5 partially achieved
7th – Oct. 2002[60]	9 (1 undertaking had no report of progress)	3	1 partially, 4 not clear if partially or not achieved
6th – April 2002	10 (1 undertaking had no clear report of progress)	1	4 partially and another 4 partially but only very incipiently
5th – Oct. 2001	Given that I didn't have access to the aide memoir of the 4th JRM it was not clear but it appeared that undertakings were not agreed for review during the 5th JRM. This JRM reported that "*there was general consensus that the performance of the MoH and districts should be ideally assessed on the MoH and district total workplans rather than solely on the achievement of undertakings.*" Difficulties in achieving previously agreed undertakings might have led to a decision of focusing on workplans.		
4th – April 2001	Data not available		
3rd – Oct 2000[61]	12	1	7 partially achieved and 4 not achieved

Source: MoH (2004a); MoH (2003b); MoH (2003a); MoH (2002b); MoH (2002a); MoH (2001d).

There were varying degrees of partial achievement of undertakings (see Table 6.2). In some cases a draft report was available instead of a final report which should have been presented and agreed. In other cases, only initial steps had been reported towards establishing, for example, a coordination mechanism. It was not clear though what was meant by initial steps, for instance, on undertaking "*to develop a mechanism for coordination of on-going research in the health sector to support evidence-based policy formulation, planning and implementation of the HSSP*" (MoH, 2002b).

[59] There could have been a mistake in the writing up of the aide memoir as the review of progress should cover the agreed undertakings during the 8TH JRM of April 2003.
[60] A very succinct reporting on progress towards the undertakings for this JRM hindered a more in-depth understanding of the level of performance achieved.
[61] Limited detail of reporting also hindered a more comprehensive analysis of performance achieved (though not as succinct as reporting at 7th JRM).

Table 6.2: Examples of partially achieved undertakings

Undertaking	*Means of verification*	*Progress*
Basic Package Reproductive Health ▪ *Initiate EmOC in the 19 districts where needs assessment was done (only 5% of HC IV met the criteria for basic emergency obstetric care) to achieve at least 80% of all hospitals able to provide basic EmOC,* ▪ *Complete the needs assessment of EmOC in the remaining 37 districts*	▪ *Reports on percentage of hospitals in the 17 districts able to provide basic EmOC* ▪ *Report of needs assessment for the remaining 37 districts*	▪ *Constituted Regional Technical Support Teams to go the 10 hospitals where basic EmOC was found lacking,* ▪ *Draft roll out EmOC plan for the rest of the country prepared* ▪ *Needs Assessment for the remaining 37 districts and data analysis completed. Report writing in process but to be ready for Oct. 04 JRM*
Community Mobilisation ▪ *Finalise and initiate implementation of guidelines for community dialogue, mobilisation and participation in health promotion and health services delivery*	▪ *Final field implementation guidelines for community dialogue: community dialogue implementation strategy, field manual for implementation, facilitation manual and brochure.* ▪ *Documentation of implementation of community dialogue in 8 districts (reports, video, reports)*	▪ *Field and facilitation manuals and brochure developed and pre-tested* ▪ *Technical assistance recruited for strategy development. Draft strategy in place* ▪ *Documentation report and video for two districts (Mubende and Bugiri) available* ▪ *Report on community dialogue ready*

Source: MoH (2004a).

Over time, it was noted that undertakings became less ambitious and more feasible within the period of review. This perhaps indicates why a number of undertakings were not being achieved or only initial progress towards them was made in the early years of the JRMs.

> *It was ludicrously large amounts of things that were going to be done and everyone was wildly over optimistic of what could be achieved …. very unrealistic, they were aspirational …. and we had to spend a lot of the first years getting to grips with ……in terms of what we wanted to, trying to be more realistic.* (KI – 2, DP representative)

An example of an ambitious undertaking to be achieved within a 6 month time frame was:

> *MoH to take action within Government to ensure the health training schools fulfil the needs of the HSSP. Progress to be reported on: management modalities; criteria for student enrolment (number and qualifications); quality of training (tutors and practicals); conversion to the new training courses, etc.*[62]

In addition, regarding the lack of objective measures of progress, as seen in the examples provided in Table 6.3, the agreed means of verification still had scope for further quantification of clear outputs.

[62] The achievement of this particular undertaking was compounded by the fact that health training schools falls under the responsibility of the Ministry of Education, thus requiring collaboration and efforts from a Ministry other than the one held accountable for the undertaking.

Table 6.3[63]: Undertakings and related lack of objective measure of progress

Undertaking	*Means of verification*	*Progress*	*Comments*
Basic Package HIV/AIDS *Scale up capacity for ART management and uptake to all hospitals and achieve accreditation to at least 50%.*	▪ *Action plan for scaling up ART to all hospitals* ▪ *Accreditation system or criteria*	▪ *Action plan for scaling up finalized and being used for implementation,* ▪ *58 health facilities in 20 districts accredited to provide ARVs,* ▪ *26 health facilities (including all the 11 Regional Referral Hospitals) providing free ARVs (target 2,700 adults)*	*A number of hospitals are not yet accredited due to inadequate capacity. Training of health workers is going on at regional level. This will facilitate the accreditation process.*
Basic Package Reproductive Health ▪ *Initiate EmOC in the 19 districts where needs assessment was done (only 5% of HC IV met the criteria for basic emergency obstetric care) to achieve at least 80% of all hospitals able to provide basic EmOC,* ▪ *Complete the needs assessment of EmOC in the remaining 37 districts*	▪ *Reports on percentage of hospitals in the 17 districts able to provide basic EmOC* ▪ *Report of needs assessment for the remaining 37 districts*	▪ *Constituted Regional Technical Support Teams to go the 10 hospitals where basic EmOC was found lacking,* ▪ *Draft roll out EmOC plan for the rest of the country prepared* ▪ *Needs Assessment for the remaining 37 districts and data analysis completed. Report writing in process but to be ready for Oct. 04 JRM*	▪ *Secured funding for Regional Technical Support Teams from UNICEF* ▪ *EmOC is area of priority under UN response on reduction of MMR and UNFPA has pledged to provide EmOC equipment* ▪ *Secured funding from Programme 9 for procuring 1,000 MVA kits and emergency RH drugs.*

Agreed undertakings for HIV/AIDS and RH during the 9th JRM (MoH, 2003b) and reported progress during the 10th JRM (MoH, 2004a).

The lack of more quantifiable measures of progress may be in part because a number of activities were process related (and had focused on the production of reports or reviews of an area). The other problem is that the progress towards these undertakings was reported by the Government, but there was no system of verification to control for actual performance of the actions taken and the quality of the activities, as discussed earlier.

It seemed that besides the presentation during the JRMs on progress against undertakings, no other form of more substantive accountability was provided to DPs.

> *Who is challenging the fact that they were really taking place, that a quick and dirty presentation was made during the JRM to say what they did about this.* (KI – 3, other)

For some undertakings a report was provided, as for example for the tracking studies, but this was not the case for all undertakings on a systematic basis. And even when reports were provided, there may have been scope for putting less effort in to

[63] Further examples of undertakings that lacked quantifiable means of verification are provided in Appendix 7.

producing them or for manipulating the reports' contents. Such routes could prove difficult, however, since a report has to provide more details than a presentation; there should be a team (not just one individual) involved in the production of the report or it may be a company that is responsible for producing the report (as for the tracking studies). This way there is somewhat less scope for hiding or manipulating information.

Yet, as put by a KI (KI – 5, other), there were problems with the way DPs used the reporting system:

> *They might get hung up on the process... they feel that if they've got a report in the hand, no matter how bad the report is, that's good enough.*

Further, undertakings were often vaguely formulated (as per examples in Table 6.4) and this could be interpreted as a way to make them easy to reach.

> *There is a tendency to make undertakings too easily achievable.* (KI – 4, other)

Table 6.4[64]: Examples of vaguely worded undertakings and progress reported.

Undertaking	*Means of verification*	*Progress*
Human Resources for Health *Initiate the scaling up of training and improvement of the quality and outputs of health workers for the HSSP*	▪ *Document detailing plan to scale up HRH production* ▪ *Monitoring reports on outputs of various training schools.*	▪ *Training to increase outputs of HTIs being scaled up through:* *improving infrastructure, increasing number of tutors and financial backup for disadvantaged students.* ▪ *Quality of HRH produced from HTIs being improved through: tutor development, provision of training & health learning materials, support for practical field work, support to inspectorate activities of MoH and MoES, reviews of the various curricula, and support to in-service training.*
Basic Package HIV/AIDS *Scale up capacity for ART management and uptake to all hospitals and achieve accreditation to at least 50%.*	▪ *Action plan for scaling up ART to all hospitals* ▪ *Accreditation system or criteria*	▪ *Action plan for scaling up finalized and being used for implementation,* ▪ *58 health facilities in 20 districts accredited to provide ARVs,* ▪ *26 health facilities (including all the 11 Regional Referral Hospitals) providing free ARVs (target 2,700 adults)*

Source: MoH (2004a).

Undertakings were dependent on the agreement of both Government and DPs. However, as pointed out by a key informant (KI – 2, DP representative), the degree of agreement on the undertakings was not always in the partners favour. In a discussion during a HPAC meeting (January 2004), a DP representative requested that the undertaking on RH agreed during the 9th JRM (MoH, 2003b) needed to be more ambitious, as it was rather easy to reach. The reply then by the chairperson of the Committee was that there was a need to respect the implementers plan.

[64] Additional examples of vaguely formulated undertakings are shown in Appendix 8.

In spite of the reluctance of Government to agree on less easy to reach undertakings, DPs have at times attempted to put pressure on the Government. For instance, during the HPAC meeting of December 2003, some DPs pointed out the imprecision of some of the undertakings agreed in the 9th JRM (MoH, 2003b) like the HIV/AIDS one – "*Scale up capacity for ART management and uptake to all hospitals and achieve accreditation to at least 50%"* – and asked for means of verifications to tighten them up. The request was then accepted.

However, the negotiations held during the above meeting were not unproblematic. A DP representative noted that specification of what was meant by capacity building for Anti-Retrovirals was needed, as was an alternative wording for '*make progress towards accreditation of hospitals*' in regard to scale up of uptake of Anti-Retrovirals. Another DP representative suggested introducing an indicator measuring, for example, the number of caesarean sections for the RH undertaking of roll out of emergency obstetric care (EmOC). They also suggested that 80% of the units should be able to provide basic EmOC. A Government official, however, proposed to leave out the parameter related to EmOC (preferring to leave it a more vague formulation). DPs then questioned why the undertaking for AIDS was treated more optimistically and for RH more pessimistically. They also suggested having output-focused means of verification, which were partially achieved during the negotiation (see Table 6.3 showing the means of verification for these undertakings).

The above discussion illustrates how the Government seemed to be trying to avoid effort, and how DPs attempted to make the means of verification more output oriented and hold the Government accountable.

Yet, in spite of the various problems presented above in relation to undertakings, progress towards achieving the agreed undertakings was declared[65] satisfactory for all four JRMs between the 7th and 10th (see Table 6.5) and funds disbursed accordingly.

[65] According to data presented in Table 6.5, it seems that undertakings start to be consistently reviewed as of the 7th JRM (MoH, 2002b).

Table 6.5: Statements made at JRMs on achievement of undertakings

JRM	Statement on achievement of undertakings
3rd Oct 2000	"*...although the GoU had made remarkable progress, a number of undertakings from the April 2000 review remain outstanding.*"
4th April 2001	Data not available
5th Oct. 2001	"*The fifth JRM confirmed considerable progress with the implementation of the HSSP....*" (See table 6.1 but it appears no undertakings were agreed during the 4th JRM and thus not reviewed during the 5th one).
6th April 2002	"*The JRM confirmed that progress in the health sector over the last six months has been satisfactory.*" (No particular note is made of undertakings in the 'overall outcome of the meeting report).
7TH Oct 2002	*"Progress against actions and undertakings agreed in the 6th JRM was satisfactory".*
8th April 2003	*"The JRM confirmed that the progress against undertakings agreed at the 7th JRM in October 2002 was satisfactory".*
9th Nov 2003	*"Confirmed that progress continued to be satisfactory and that all the undertakings had been met".*
10th Oct 2004	*"The JRM confirmed that there was satisfactory progress towards achievement of the undertakings".*

Source: MoH (2000a); MoH (2001a); MoH (2001b); MoH (2002a); MoH (2002b); MoH (2003a); MoH (2003b); MoH (2004a).

JRM District visits

The quality of data obtained on the performance of districts during the visits varied across districts. This was related to the overall organisation prior to and after the visits. Some districts were not well prepared for the visits and the MoH could also have made some improvements in relation to overall organisation (notes from observations of district visits). Preparation for the visits as organised by the MoH was thorough: districts were selected; groups were formed to visit the clusters of districts; transport / logistics for teams leaving Kampala was timely arranged; and there were clear Terms of References (ToRs) for the visits (notes from observations of district visits). It was not clear at what point the communication between the MoH and the districts (within the district) regarding the preparations of the visits seem to subside.

In addition, there was some variation in the composition and quality of the teams organised at central level going to the districts (leadership of team, data collected and presented), although clear ToRs were usually provided by the MoH prior to departure (notes from observations of district visits).

Top and senior management did not seem to get very involved in the process, and a number of Government officials appeared to see the visits more as an obligation. There seemed to be no pressure from the top management of the MoH towards enforcing senior officials to attend the visits.

> *Senior management is supposed to go but they just delegate and don't take it seriously. Top management for example does not take part in district visits.*

They don't give the example. They don't show commitment. (KI – 1, Government official)

Participation by top and senior management in the district visits could perhaps have allowed for greater possibility of sharing views and information on performance, and scope for influencing decisions (e.g. in the JRMs). The non-participation by top and senior management seemed to reveal their lack of interest in these processes. Perhaps this was because these processes were not sufficiently owned by Government and/or because they clashed with other priorities (e.g. national level meetings, consultancy work or discomforts of travelling).

In 2003 (when I was part of the team visiting one of the districts), one of the Director of District Health Services (DDHSs) visited, claimed that he only got informed of the visit on the day of our arrival and so did not have time to prepare himself for it. So documents for review were not available, and officials that our team were supposed to speak to were not available for meetings, thus hindering the scope of performance assessment. This could have been a communication problem at the centre, but it could be related to inefficiency at the district or both. In contrast, the second district visited during that year was informed about the visit and prepared for it. On various occasions during the districts visits, I observed, staff (in charge or their deputies) at facility level were not present for the visits (affecting access to documents which would have been needed for review) – usually were attending some other activity (training). Yet, these were visits that take place once a year around the same period and it should be possible to prioritise the availability of staff.

Upon return from the districts there was a lack of clarity (guidelines) for teams reporting back at NHAs or JRMs. Moreover, feedback mechanisms to districts on districts visits were poor. For instance, NHA/JRM 2003 did not build in sufficient time for consolidation and analysis of the district situation, presentation of results and proposed recommendations (notes from observation of district visits and NHA/JRMs).

The reason why districts were not prepared and top management did not take part or was not committed – lacking ownership of the process – could be the perception by some Government officials that district visits were more important for DPs.

Joint reviews are donor-driven. It is when joint reviews take place that a mission will come from abroad and people will go down to districts for monitoring. (Government official)

It seemed that district visits were a request of donors who would like to see the situation at district level (including visits to facilities) in order to get a 'feel' for what is going on. But they were not structured formally enough as an exercise of data collection and analysis. The monitoring of performance through district visits allowed for an overall impression but it could not provide a comparative basis or assessment of trends over time, apart perhaps from using the institutional memory of those who participated in the process over a long period of time (often locally employed donor agency officials and some TAs, and of course government officials who are in country over longer time spans).

> *I was surprised here in Uganda, during this JRM* [district visit (2003)][66]*, about lack of focus on quantitative measures of progress. No targets or benchmarks to measure or assess progress against. This is in contrast to my previous experience of monitoring activities.* (KI – 3, other)

During a meeting of the health DPs group in 2003, one representative suggested that district visits be de-linked from JRMs. The representative noted that district visits could be integrated into regular MoH monitoring activities to avoid duplication (donor-specific monitoring mechanisms). Donor representatives could join area team visits. However, it was pointed out by others that this was an opportunity for donor agency representatives coming from headquarters to visit the districts.

In spite of the scope for greater objectivity in the processes related to the district visits, having taken part myself in more than one visit, it was clear that they allow for an opportunity to learn about the overall health situation, management and political commitment at district level. The fact that each team tended to visit more than one district also provided a chance to compare and contrast performance across settings. For example, the visits to two districts in Western Uganda in 2003 were enlightening with respect to providing an overview of: a) progress on key interventions in the areas of RH, HIV/AIDS and malaria control; b) constraints to implementation in relation to planning and monitoring, human resources, infrastructure and drug supplies; c) sources of financial support; d) technical support received from the MoH.

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[66] During district visit.

6.2.2 World Bank PRSC and EU graduated trigger point mechanism

There were some attempts to develop and introduce a more explicit system of performance assessment and compensation for GBS. Some multilateral agencies adopted a trigger point mechanism, graduated (EU) or not (WB-PRSC), based on agreed indicators (outputs mainly) or actions (processes).

<u>World Bank PRSC</u>

The appraisal process for the PRSC was centred on the achievement of prior actions (World Bank, 2004b). Prior actions were similar to undertakings as they were also retrospective, i.e. stakeholders agree on actions one year before. However, they were credit conditions as appraisal of progress towards achieving the prior actions determined the final negotiations of the PRSC and its submission to the World Bank's board for approval (*ibid.*). The appraisal process was based on the review of a series of documents and data (sources included for example the Public Expenditure Reviews[67] and aide memoirs of JRMs) (*ibid.*) and discussions with key stakeholders were held (various KIs). But the assessment was also based on the general perception of progress among stakeholders, particularly for the health PRSC (KI – 2, DP representative).

Usually, the prior action for the health sector was the 'satisfactory implementation of the undertakings agreed in the health sector review', as in the PRSC3 (World Bank, 2003). Hence, technically the appraisal would be based on the outcome of the JRMs in regard to the achievement of undertakings. However, in practice, as noted above the assessment took account of the overall perception of progress by those involved in the review. Furthermore, as discussed in the previous section, the JRM process assessed performance not only on the basis of undertakings. In addition, less than 100% of the undertakings needed to be achieved in order for satisfactory performance to be declared.

A DP representative noted that performance in the areas of public expenditure and governance was key to the decisions by the World Bank on the release of further

[67] Focus on the assessment of budget performance.

tranches[68]. Thus, concerns regarding performance in the health sector were considered "secondary". Within the two areas of priority for the World Bank, public expenditure was an area of even greater concern than governance.

However, different donors placed emphasis on different areas or issues, for example the bilaterals tended to put a lot of weight on governance issues (KI – 1, Government official). This was of relevance because many bilateral agencies adopted the PRSC review mechanism as part of their decision criteria for disbursement of general budget support funds, thus reducing transaction costs. This was the case for instance of DFID[69].

> *In effect although it [PRSC] is a specific bank administrative instrument the others ride on that. So it depends on where the donor comes from, some will put more emphasis on corruption and some will put on other [things] and these will be on their bilateral document. But what they usually do is not to try and bring in something new; they will emphasize something in the PEAP and the PRSC.* (KI – 1, Government official)

While the PRSC review system represents a more explicit approach to the compensation scheme, it has scope for further development and still is based on subjective elements of performance assessment.

The system was based on 8 to 10 agreed prior actions that if all were achieved triggered the disbursement of funds. However, it lacked a proportionate weighting system whereby the amount to be disbursed could be graduated in line with the level of progress made towards the prior actions. Some donors were discussing possible ways to improve the current system with the World Bank. For example, a key informant noted that in view of risks in tying funds to specific indicators, donors could release funds on the basis of achievement of a fixed proportionate number of undertakings or prior actions out of an agreed total number, e.g. 3 out 4.

> *It is a blunt instrument, 150 million dollars dependent on whether you get those 8 things done or not. DFID and other partners have been trying to get the Bank to*

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[68] Prior actions tend to focus on specific areas. The ones chosen for the PRSC 4 were (World Bank, 2004b): public expenditure (budget performance); public administration (pay reform, procurement); governance / accountability (anti-corruption measures); health, education and water sectors.

[69] As an illustration of the involvement of other development agencies in the PRSC appraisal process, the World Bank team in charge of the review of the PRSC4 received the support of 8 development agencies. These were: Development Cooperation Ireland, DANIDA, DFID, EC, KfW, Netherlands, Norad, and Sida (World Bank, 2004b).

do some scaling. If you could get 5 out of 8 you get this much or if they progress against some of them. (KI – 4, other)

Surely there will be disagreements as to how best to structure the compensation scheme and make it more objective. For instance, a DP representative mentioned that attempts to have a more explicit system to assess performance proved to be difficult as it was more of a subjective issue.

It is very difficult to determine how and what to penalise, for instance if overspending is above, 2% or 3% or 10%. (DP representative)

In the past, although not all agreed prior actions were achieved or serious concerns had been raised in relation to various issues, it appeared no releases of PRSC have been reduced or withdrawn due to unsatisfactory progress.

So if you don't deliver on the trigger actions, they look at them and see why and then there is a whole discussion. (KI – 2, DP representative)

An example of prior actions not achieved included those reviewed during the appraisal mission of PRSC 4, when out of 8 prior actions, 2 were not on track at the time of the mission. These were in the water and sanitation sector and on budget performance (see table 6.6).

Table 6.6: Non-achieved prior actions

Prior actions agreed during pre-appraisal mission	***Progress towards achievement***
In the annual public expenditure review, the Government has agreed with donors on the Medium Term Expenditure Framework (MTEF) for 2003/04-2005/06, and has executed the 2003/04 budget through the first three-quarters consistent with budget allocations.	*This is not on track. While overall expenditures amounted to 91% of programmed levels for the first two quarters, overall PAF releases only amounted to 84% of pro-rata budget (compared to 96% at the same stage in 2002/03), with public administration running at 123%*
Satisfactory implementation of undertakings agreed in water and sanitation sector review in September 2003 and confirmed by March 2004 review.	*This is not on track.*

Source: World Bank (2004b).

An example of an issue in the area of anti-corruption that had been considered as being of serious concern in the past is:

Corruption remains high and the mission is concerned that there are worrying indications, including legal actions questioning the legality of the IG's[70] work on the Leadership Code and Cabinet's proposals to curb the power of the IG. It is of particular concern to the mission that the institutions dealing with corruption face a range of obstacles, which weaken their ability to work and undermine morale. They all face resource constraints (human and financial) that limit

[70] Inspector General.

effectiveness. The mission also notes that there has been little progress made on the commissions of inquiry and still no prosecutions. On the implementation of crosscutting reforms, there is equal concern over the slow progress. (World Bank, 2004b)

In spite of the above problems, the agreed prior action in the area of governance or accountability was considered to be on track, as per Table 6.7.

Table 6.7: Prior action on-track in the area of governance and accountability

Prior actions agreed during pre-appraisal mission	***Progress towards achievement***
The Inspector General (IG) completes the analysis of declared assets and information collected from key categories of leaders, initiates asset verification, investigates all complaints from the public received by his office by November 1 2003, and presents a time bound action plan for the implementation of the leadership code.	*This is on track. The critical analysis of assets of Cabinet Ministers and Ministers of State has been completed and that of Permanent Secretaries has commenced. The critical analysis of Presidential advisors will commence shortly. Arising from the critical analysis, verification of assets of some Ministers is ongoing. All 29 complaints received by the office by 1 November, 2003 are being investigated and three have been completed. A draft action plan was presented to the mission.*

Source: World Bank (2004b)

As noted above, the PRSC system of compensation has various shortcomings, as for example to release funds in spite of prior actions not being achieved and use of a subjective approach to performance assessment. These weaknesses in the system can be exploited by the Government who could prefer to avoid putting effort towards performance. In the case of the PRSC, these shortcomings have wider repercussions as other development agencies besides the World Bank use this appraisal system for the release of funds to the budget. But as noted by Miovic (2004), by adopting the PRSC as a common system of performance appraisal, donors are at least contributing to decrease the burden on the Government with regard to transaction costs.

<u>EU graduated trigger point mechanism</u>

The EU compensation scheme represents an advance when compared to the PRSC as it was graduated[71], thus allowing disbursements (rewards) to be in line with the degree of progress achieved towards the agreed indicators.

However, the score system seemed to have some limitations as well. As for example with respect to the performance measure of 'considerable positive development' (when a 0.5 score is given for an indicator) which was only vaguely defined. This lack of explicitness may allow parties to reach agreement in relation to progress and

[71] For a description of the formula for the graduated trigger point mechanism see section 3.7 in chapter 3.

subsequent disbursement (reward) in spite of a lack of tangible performance improvements being achieved.

In addition, similarly to the JRM and the PRSC, the EU system of performance appraisal was based to a certain extent on a subjective system which involved discussions and negotiations towards disbursements. For instance, in 2004, two targets were not fully achieved (DP representative). These were: posts filled by qualified health workers and OPD attendance. One of the arguments put forward in their negotiations with Brussels to justify issues and request the full release of the next tranche was that the targets had being revised as per discussions during the preparatory phase of HSSP2 (DP representative). In addition, processes like the JRM and its outcome (whether rated overall as satisfactory or not, undertakings achieved or not) were used to assess performance, even if partially,[72] and to inform decisions on the release of funds.

> *It is a rigid system but the local advisors have some leeway, it is very much up to them to decide and convince Brussels, it is a long process but it is possible to release funds even if targets have not been met, but of course it will need to be duly justified.* (DP Representative)

6.3 Distortions in the Penalties and Rewards System

In this section, I analyse problems regarding the subjective nature and related inefficiencies of the performance appraisal system as linked to the compensation scheme. More specifically I explore distortions in the penalty and rewards system in terms of constraints and the incentive environment vis-à-vis the aid contract.

6.3.1 Constraints towards rewards through the Government budget

This sub-section explores constraints related to the behaviour of both parties – Government and DPs - that have hindered the reward of Government performance. It also analyses problems related to the incentive environment in relation to projects, the SWAp related mechanisms of control and Government rules and regulations.

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[72] Additional sources envisaged to be used as part of the assessment of performance included: reports and assessments by the Government, IMF, World Bank, Bank of Uganda, annual public expenditure review, office of the Auditor General and other independent audits and evaluations (EU, 2004).

Macroeconomic budget ceilings hindering DPs from rewarding the Government

The Government was rewarded with increased budget support from DPs from about 2000 to 2003. This increase contributed towards augmented financial allocations by the MoFPED to the health sector. As noted in Chapter 1, from the start of the first HSSP (2000/01-2004/05), the number of DPs providing budget support to the government increased from 5 to 8 (MoH, 2003d). In addition, the volume of budget support provided by DPs to the GoU increased from US$227.17 million to US$275.1 million[73] between FYs 2000/01 and 2003/04 (MoFPED, 2001; MoFPED, 2002a; MoFPED, 2003a; MoFPED, 2004a). Over a similar time period, from 1999/00 to 2002/03, the budget[74] for the health sector also increased 18% in real terms (Ssengooba *et al.*, 2006).

In spite of these increases, health expenditure still fell short of needs. Public funding for the sector only reached $9 per capita (including donor projects and budget support) in 2003/04 (MoH, 2004c) and the estimated cost of providing the minimum health care package during the first HSSP (2000/01 – 2004/05) was $28 per capita (*ibid.*).

Further rewards that would contribute towards closing the gap between the existing funding for the health sector and its estimated needs were constrained by macroeconomic budget ceilings. While DPs appeared willing to increase their contributions to the MoH (as per various informal discussions with DPs, e.g. the World Bank and SIDA, the MoFPED opposed this on the basis of the country's macroeconomic budget caps.

The rationale for the sectoral ceilings for budgets imposed by the MoFPED related to efforts to ensure macroeconomic stability of the country and improved aid efficiency. Ensuring macroeconomic stability referred to the potential negative effects of high inflows of aid on the macro-economy of the country [potential for appreciation of the real exchange rate and decreased exports, fiscal deficits, high interest rates and reduced private investment impinging on productivity and growth (Adam and Bevan, 2002; Lake, 2004; and MoFPED, 2004d)].

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[73] These figures include grants only (exclude loans).
[74] Excluding donor projects.

A key informant (KI – 4, other) noted that this approach adopted by the MoFPED and the Bank of Uganda was a conservative, non-Keynesian approach of private sector led development and growth, based on low public expenditures. The key informant added that this view was supported by macroeconomists of the International Monetary Fund (IMF) and World Bank but opposed by some bilaterals like DFID which was seen as '*softy and left wing*' – and hence arguments for higher public sector expenditures had not been accepted.

Another rationale for the cap on the overall amount of aid allowed into Uganda was the general desire of the GoU to reduce the proportion of aid (budget support or project aid) to domestic revenues, which was close to 47% (MoFPED, 2004g). The motivation for pursuing this goal was related in part to the GoU's assertion of its sovereignty. A further argument was that accountability might only come if the budget for development came from domestic revenues (from local tax payers) and not donor funding (Brownbridge, 2004). It was also related to the government's concerns regarding the (un)predictability and (un)sustainability of aid funds into the country. As mentioned by a key informant (KI – 4, other): "*he* [the president] *sort of puts the message out, he doesn't want the budget too dominated by donor money because everyone realises that things can change at anytime*".

Increased aid in the form of projects (particularly GHIs) and poor compliance of DPs with Government's preferred aid mode (GBS)

There was a perception of a general lack of prioritisation in the sector with regard to various projects that were being accepted, as put by this key informant (KI – 3, other):

> *Projects don't seem to be assessed by the MoH thoroughly against what they contribute or the extent to which they can contribute to the core of HSSP priorities. Basically any project, any money being offered is being accepted. For example, Uganda has been applying to almost all rounds of applications of the GFATM.*

This was taking place in spite of the macroeconomic ceiling constraint and represented thus a failure of the reward system, as the Government's preferred mode of aid would have been to receive support to the budget.

There was an exceptional case of a USAID project that was rejected[75]. However, it seemed there was a trend to accept large projects in view of the political clout of the countries/agencies involved as exemplified by the frequency of applications to the GFATM and the volume of PEPFAR funds. The examples of PEPFAR and the GFATM are explored here in further detail.

It was not clear what the involvement of the MoFPED was in the process of approving the PEPFAR and GFATM projects in relation to the regular budgetary processes. PEPFAR by-passed the existing technical mechanisms of aid coordination, e.g. its projects were not submitted to review and scrutiny by the health sector stakeholders through the SWG (based on notes from observations of meetings and discussions with various KIs). It also did not follow the timetable for proposals and funding disbursements as per schedules for planning and budgeting in the country (based on notes from observations of meetings and discussions with various KIs).

PEPFAR seemed to distinguish itself with respect to the way it was introduced in Uganda because of its political nature. It was explained that the project was negotiated at a high political level between the President's office and the US Embassy / White House (various KIs). This political circumvention of technical structures (e.g. non-submission of the project for approval at the SWG) seemed to be related to a distortion of the formal reward system. PEPFAR funds were provided in the form of projects and not GBS as well as within the context of geopolitics - as reward for Uganda's support to the war in Iraq - instead of Uganda's performance in the health sector or on HIV/AIDS (various interviewees).

The grants of the GFATM to Uganda were another example of funding in the project form which was accepted notwithstanding the macroeconomic ceilings and the by-passing of common control mechanisms for aid disbursement (e.g. SWG), thus failing to reward Uganda through increased funding channelled through GBS.

Differently from other Global Health Initiatives (e.g. PEPFAR), the GFATM system is such that the recipient country has to apply for funding. Uganda applied for all four rounds of funding (within the period of fieldwork – as per discussions during observed meetings). The argument by those leading the application process, the MoH, was the

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[75] A Government official said this was an exception as the Ugandan's health sector is severely under-funded and depends on donors. The project had an estimated budget of US$16 million. The reasons for rejecting the project were based on an analysis by the MoH as reported by a key informant, only about US$ 500,000 would had been allocated following HSSP priorities and it was not was clear what benefit it would bring to the MoH (what outputs it would contribute).

lack of funding in the sector (as observed during HPAC meetings). This argument was used in the negotiations with the MoFPED to obtain their consent in waiving the rule of integrating new project funding within the budget ceiling[76] (which would be offset from the budgetary funding to be received by the MoH and thus not lead to *de facto* increased overall funding for the sector). This was also necessary in order to comply with the condition imposed by the GFATM of additionality (Njie *et al.*, 2005) – that the funds provided by the GFATM would be additional to those existing within the country's budget thus avoiding aid fungibility problems. The MoFPED agreed that the GFATM funding (up to round four as per end of fieldwork) would be additional (notes from observed meetings and discussions with various KIs). The agreement by the MoFPED was considered to have been an exception in view of the high profile status of the GFATM (KI – 5, other).

> *When an organization like the global fund comes in because of its very strong resource mobilization capacity, the government then changes its mind a little. Since there is so much money here they would simply have to accept this less systematic approach .....and then we will simply hope that there will be more money coming to sustain the changes that are coming through the global fund.* (KI – 5, other)

The volume of funding made available by the GFATM, and its perceived accessibility as opposed to budget support funding, seemed to make certain parts of the Government more flexible about its rules and mechanisms. This reaction to the Global Fund project funding interfered with the existing integrated budgeting processes.

> *People rushed off around the Global Fund but collectively the rest of us* [BS donors] *have more money that we are providing to the budget but that it is not seen to be accessible in the same way ... somehow the idea of the Global Fund money even if it's relatively small excited much more political interest. I don't know ...it's seen as an opportunity that anybody can get something of out of it and somehow with budget support money that isn't* [the case]. (DP representative)

<u>Possible explanations for the reward failure (project aid instead of GBS): incentive environment; ineffectiveness of control mechanisms and systems of rules and regulations in the public bureau</u>

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[76] As part of the policy of fixed macroeconomic budgetary ceilings, the MoFPED had adopted as one of its priorities, for the Medium Term Expenditure Framework (MTEF) and Long Term Expenditure Framework (LTEF), to integrate donor projects into sector ceilings which once incorporated would displace budget funding. The motive was to avoid expensive and inefficient projects (budget funding was considered more flexible, efficient, and equitable) (Kassami, 2004).

Given the context of the general scarcity of resources within the budget to cover the needs of technical programmes, the budget ceilings imposed by the MoFPED seemed to have created an incentive for these programmes to actively continue to seek project funding.

> *The Ministry of Finance encourages the use of SWAp, but currently the approach of the Ministry of Finance [with]... sectoral budget ceilings results in threats to the sector, not only because there is insufficient funding to the sector at the moment, but also because it encourages the sector to seek funds elsewhere, off budget. If the sector was getting sufficient or a lot more funds through the budget it would be easier to argue against the GF and other GHIs.* (KI – 4, other)

It was added for instance that the AIDS Control Programme would probably prefer to fund Anti-Retrovirals through public health facilities, using the Government budget, but sufficient funds were not available for this model of delivery (KI – 4, other). There was thus a conflict between what the practice of the MoFPED ended up being versus its rhetoric of advocating for GBS to be the preferred mode of aid by the Government. The resulting practice seemed to have been linked to political pressures on the MoFPED to accept projects like PEPFAR and the GFTAM. On the other hand, its policy of imposing a macroeconomic ceiling was said not to be a direct imposition or conditionality of the IMF and other international institutions (KI – 1, Government official). However, the advice provided by these institutions to the MoFPED towards adopting the budgetary ceilings seemed to have encountered widespread support among officials of that Ministry (KI – 4, other).

All SWAp related structures should serve the overall Government purpose of prioritising relevant projects according to the sector's policies across the various units and programmes in the MoH. ICCs and the SWG should play a particular role as control mechanisms of technical programmes by integrating/harmonising their specific policies and interventions and holding them accountable within the sector (various KIs).

In the case of ICCs they were intended to help technical programmes to reflect upon their priorities vis-à-vis those of the ministry/sector as a whole and to refocus their programme of work in line with that of the Ministry as opposed to simply responding to the project agendas as directed by the different agencies/donor programmes (various

KIs). While this was said to have happened to some extent, there were accounts of technical programmes, for instance the Reproductive Health Division, using the ICC to actively seek project funding, while "*in other fora they behave as to abide by the SWAp bible*" (KI – 3, other). The key informant noted that project funding was sought after as a source of individual benefits (consultancies, equipment, vehicles, and per diems).

The effectiveness of the SWG in assessing projects against value for money and equity concerns and possibly directing funding towards the budget mechanism was also seen as deficient. For 'small' projects and/or projects of low (political) profile, the system seemed to work (KI – 5, other). But with large projects from influential organisations such as the GFATM and PEPFAR, as discussed above, the rules of review within the SWG were by-passed and these projects were negotiated directly with the MoFPED (or not as in the case of PEPFAR).

Some parts of Government still argued that the rules and regulations of the public bureau would be sufficient to align incentives in this environment. The perception was that because government was a bureaucracy, the policies and rules it had effected should be adhered to.

> *We have clearly said that our preferred mode of financing is budget support, and over the years, budget support has been on an increasing trend and even to provide more incentives for ministries, the issue of integrating projects into the budget is meant to be a trade off. If you have more projects then you have less budget support – as government we are not very much in control of projects so need to think twice if they are worth it....the way government works,* [is that] *it's a bureaucracy, so there, are no power struggles in that sense.* (Government Official)

However, the evidence presented in this section seemed to indicate that the rules and regulations put in place by Government have not been able to curb donor projects and bring technical programmes to adhere to the budget system.

Hence, some changes seem to have taken place regarding contractual outcomes in relation to the budgeting process since the introduction of GBS, in terms of both intra-government incentives and increased efficiency in public spending and equity of resource allocation. However, macroeconomic ceilings appeared to hinder further improvements. The shift from project funding towards GBS or sector support, at the

earlier stages of the HSSP, triggered changes in the incentive structure. This was characterised by a move away from incentives made available through project funding from development agencies to Government units towards incentives within Government units to compete for budgetary funds. As argued by Ssengooba *et al.* (2006), with the shift towards greater funding through GBS and SWAp there had been greater efficiency (more predictable budget flows, resources more fungible, lower transaction costs, stronger budget process, capture of project funds) and equity. But the macroeconomic ceilings and the increased funding via projects with the advent of the GHIs (e.g. PEPFAR) appeared to have hindered further gains in efficiency, service quality and in number of services for the poor through increased aid flows to the health sector budget.

6.3.2 Poor performance by the Government and failure in penalising by DPs

This section reviews instances of poor performance by the Government that tended not to be penalised by DPs. It covers the areas of governance (budgetary and accountability issues) and management problems in the health sector.

<u>Performance problems regarding governance issues</u>

In this sub-section I present some evidence in regard to poor performance in the areas of defence expenditure and accountability / transparency.

Issues related to defence expenditures have led some DPs in the past to withdraw or delay disbursement to the Government budget. In 2001/02 support to the budget by Belgium was interrupted. This was due to Uganda's military intervention in the DRC (DP representative). The bilateral agreement at the time envisaged a total transfer of approximately US$ 4 million, of which US$ 1.3 million was disbursed in 2000/01 (MoFPED, 2001). While there were conditions set out in the agreement, these did not include penalties for defence-related issues but focused on the performance of the health sector (DP representative).

In FYs 2002/03 and 2003/04, the UK, Ireland and Netherlands withdrew support to the general budget following a 23% cut in the Government budget to fund increased defence expenditure (MoFPED, 2003a; MoFPED, 2004a). In FY 2003/04, the

reduction in disbursements by the above DPs was 10% of their projected contributions (MoFPED, 2003a; MoFPED, 2004a).

Besides the above, Ireland also delayed budget support contributions in FY 2001/02, in the amount of US$ 6.5 million. This was due to the delayed release of the report on the Democratic Republic of the Congo (DRC) probe (Lake, 2004; MoFPED 2002a).

In addition to the abovementioned reason of increased allocations for defence, the budget cut by the UK Government in FY 2002/03 in the amount of £10million was due to the Government's failure to release a Defence Review Report (including implications for the budget on defence expenditure) (KI – 2, DP representative).

> *There has been no discussion and we said if there isn't a discussion then there won't be money.* (KI – 2, DP representative)

Suspension or delays applied by DPs as penalties for poor performance were perceived by the Government as disruptive for activities and processes – particularly with regard to the lack of aid predictability (various interviewees). However, the effect of penalties applied by DPs was neutralised because of the lack of predictability of donor aid itself. This was because shortfalls caused by the cuts/delays (penalties) were often offset by foreign reserves (including disbursements carried over or contributions that came later than originally scheduled) or by the effects of depreciation in currencies.

For example, in FY 2003/04, despite the cut in disbursement by the UK Government, budget support grants exceeded forecasts. The Ugandan Government received US$ 329 million instead of the projected US$ 226 million (MoFPED, 2004a). The reason for this particular increase was that the World Bank, instead of providing a loan to the Government, decided to offer it as a grant (*ibid.*).

> *This helped to more than offset the delayed disbursements and the cut in funding by the United Kingdom.* (*ibid.*)

The effects of currency depreciation and the foreign reserves may not have completely counteracted the losses caused by the penalties of DPs but they helped. For instance in FY 2002/03:

> *The shortfalls* [due to delayed and reduced disbursements by DPs] *were partially offset by the depreciation of the US dollar*[77] *against the respective*

[77] US$ is the currency used for foreign reserves.

> *donor currencies, and in particular the Euro and the GB pound. Disbursements carried over from FY 2001/02 also helped offset the shortfall.* (MoFPED, 2003a)

The above problem was related to the lack of harmonisation among DPs in having a common/joint penalty response. Donors could have formed a 'cartel of good intentions' (Easterly, 2002) and used their power to cut aid to Uganda in view of the considerable proportion of budget support vis-à-vis the Government budget. Instead DPs allowed the Government to offset penalties with delayed disbursements.

For example, with respect to Uganda's military intervention in the DRC, none of the major donors, in terms of volume of aid provided, cut their aid in FY 2001/02. It was only Belgium that withdrew support and Ireland that delayed its contribution. As noted earlier these represented US$ 2.7 million and US$ 6.5 million respectively. The UK grant contributions (including PAF and non PAF) in that year amounted to US$ 67.5 million (MoFPED, 2002a).

One of the possible reasons as to why donors were reluctant to penalise Uganda in view of the military intervention in the DRC related to Uganda's standing as a 'good performer'.

> *Museveni got an easy ride about the Congo because of his status as president of the country which invented the PRSP which has made dramatic reductions in poverty, which was the first country in the world to qualify for HIPC debt relief etc.* (KI – 4, other)

Issues related to health expenditure are also of relevance. In 2003/04, during the negotiation process for the 2004/05 budget, the health sector budget was due to be decreased by 11% in real terms relative to the previous year's budget (MoH, 2004b). This was later rescinded, although there was still a reduction of 3% in relation to the previous year (*ibid.*). The discussion following below evolves around the details of the phase while negotiations were ongoing and the budget seemed likely to be reduced by 11%.

The reason for the reduction in the health sector budget was the increase needed in the budget for defence and public administration expenditures (notes from the PER meeting May 2004). This occurred in spite of the protection of funds under PAF conditional grants (which is one way for donors to protect their contributions within the

agreed poverty alleviation strategy). The increase for public administration was related to expenditures allocated for preparations for the 2006 elections, in particular for the referendum to decide whether the president could stand for a third term. There were also rumours that the increases in the defence budget would allow for plans to station army contingents in every sub-county.

Cuts in the health sector budget were envisaged to affect MoH running costs, project counterpart contributions, but also the drugs and human resources budget lines (the latter with more direct consequences for service delivery) (based on notes from observation of meetings).

During the meetings of the 2004 Public Expenditure Review, DPs alerted Government to their dissatisfaction with the budget allocations. They said the budget did not reflect a convincing balance towards PEAP related expenditures. Allocations for defence, insecurity and public administration were too high and at the expense of health, justice, law and order for example. Worryingly, the increase in defence expenditure was said not to be targeted to deal with the conflict situation in the North. The increase in public administration expenditure was also said to be potentially linked to political activities under the heading of community mobilisation and greater expenses of the State House. During the Review a debate ensued about the appropriate level of defence expenditure. The Prime Minister argued that not too much could be disclosed about defence for obvious reasons. Donors reiterated that in the context of GBS there should be a strong budget management process whose forecasts prioritise resources towards the PEAP targets.

Hence, although donors expressed their dissatisfaction with the reduction of the health sector budget, they did not apply any related penalties.

During the interviews for this research, donor representatives and government officials tended not to speak openly and in detail about accountability problems, in particular corruption. This was an obvious issue. There were, for instance, some media reports quoting donor representatives themselves expressing concern with regard to problems in this area.

> *Everyone knows there is corruption in Uganda at high and low levels. There are very many reports but nothing has been done on these reports.* [Interview with French Ambassador, Jean-Bernard Thiant (The Monitor, 2004b)]

In addition, the corruption perception index by Transparency International suggested that Uganda was among the most corrupt countries. In 2005 it was ranked 117[78] out of 158 countries in the index (Transparency International, 2005). Further, there appeared to be decreasing levels of accountability, which DPs were able to observe, as discussed below. Yet DPs were not applying penalties towards the Government despite these problems.

Political commitment was reported to have decreased as the 2006 elections were approaching (various KIs). It was perceived that efforts moved towards ensuring that the then current Government would win the process. Some feared that some methods used may not have been very democratic. There were rumours that there had been a tightening of intelligence / security operations, and people at middle to senior levels (but not those at the very top levels) were feeling afraid of "not coming home" and started leaving the government (KI – 5, other). Moreover, it was said that landline telephones and mobiles had been tapped at the MoH and that certain budget lines of the MoH just could not be questioned (KI – 4 and 5, others). This was happening in the context of the parliamentary discussion to change the constitution to allow the presidential mandates to be extended to 3 terms.

DPs could have faced the challenge of confronting the Government in regard to their stances on governance and accountability at that point, by applying penalties or perhaps threatening to leave Uganda. However, the president was still very popular among the people living in rural areas and he was likely to be elected without having to resort to undemocratic measures (various KIs).

Prior to the elections, problems were also reported in relation to political interference and slackening commitment to monitoring at higher levels, including in the health sector (senior and top management).

> *At higher levels there are problems of political interference in the assessment of performance.* (Government Official)

A further observation on the issue of technical commitment being overridden by political goals referred to the appointment of one of the commissioners in the MoH around 2003, which was based more on his political credentials than his technical skills and experience for the post (various KIs). Another example was in October 2003

[78] With a score of 2.5 – whereas the least corrupt country surveyed was Iceland with a score of 9.7 and the most corrupt one, Chad, with a score of 1.7.

when there was an attempt by the Ugandan National Statistics Bureau to present the results of the last household survey (at the time). Before it was released to the public, the Government, discontented that the survey showed an increase in poverty, aborted the presentation. A key informant reported that "*researchers were asked to go back and 'massage' the data*".

An additional area of concern referred to the independence of the Inspector General of Government and the Auditor General. A Government official noted that the offices of the Inspector and Auditor Generals offered an appropriate legal and institutional framework. The Inspector General of Government was said to be a political member of the government, close to the president (KIs – 4 and 5, others). It was noted that there were no clear rules or criteria, for instance, as to what gets investigated or not (corruption cases) (KIs – 4 and 5, others). The Auditor General was also appointed by the president and there was no independent board to ratify such appointments (Robinson, 2006). In this context, the PRSC mission of 2004 raised concerns with respect to the lack of Government commitment to adopting appropriate audit legislation with a view to curb existing problems of poor accountability of public funds, and high fiduciary risks (World Bank, 2004b). It seemed thus that while institutions have been put in place to deal with issues of corruption, their effectiveness has been less than desirable.

> *Although Uganda has institutions with the legal authority to investigate and prosecute corruption, impunity remains widespread. New measures that strengthen the Inspector General of Government are intended to counter this impunity, but what effect they will have remains to be seen given widespread complacency about corruption.* (Transparency International, 2004)

> *Evidence on their* [institutions dedicated to tackling the problem of accountability] *performance in curbing the level of corruption measured through the number of successful prosecutions and dismissals points to a consistent record of underachievement.* (Robinson, 2006)

There were also rumours of misconduct among top level political figures in various sectors. Further, it appeared that donors were colluding in this. It was said that donors tacitly accepted the Government keeping some corrupt politicians within cabinet (KI – 4, other). Such agreement would have been based on the fact that the president owed these politicians for their political support after having helped him win the election.

Donors then pressured for these politicians to be posted in Ministries where they could *'steal less'* (KI – 4, other).

Further specific areas where there were accounts of suspected cases of corruption included: the Early Childhood Development and Nutrition project; and Government procurement.

The Early Childhood Development and Nutrition Project, a World Bank funded project, was said to be a source of corruption among high level officials and politicians across Government (in social sector ministries: health, gender, and education) (various KIs). The project was due to end in 2004 as agreed by the SWG. However, the MoH requested a six month extension of the project (HPAC meeting 04 February 2004 minute). Later it was noted that the extension was being requested in spite of funds amounting to US$2 million having been diverted from the project (HPAC meeting minutes 14 April 2004). The extension involved counterpart funding from the Government which was budgeted for in the 2004/2005 FY budget, in spite of various cuts that were envisaged for the overall budget for the health sector at that stage. This counterpart funding was prioritised (not part of the cuts). The MoH argued that the extension was needed in order to finalise the project and that it funded important activities such as part of the DHS and it was a high profile project with links to the social committee of Parliament. In spite of the widespread rumours about this project, the World Bank continued to fund it. It was perceived as one of its best projects, mainly because it had high disbursement rates (KI – 1, Government official). Hence, it appeared this was another example of collusion between the Government and a DP.

Procurement was also an area where lack of accountability was a problem in Uganda:

> *Government procurement....has been a major source of graft* (Transparency International, 2004).

Disruption in the procurement system seemed to have caused stock outs of essential supplies such as test kits for HIV/AIDS (for almost a year in 2003) and contraceptives (KI – 5, other). There appeared to be a tendency for poor planning and hence frequent need of emergency procurement (Raja and JSI / Deliver, 2003). This was a wider Government issue and did not affect the health sector only. It seemed that external companies, big businesses in the country and high level politicians were involved in corruption (notes from observation of HDPG meetings).

The problem was mentioned during the 2003 JRM, for example, when it was noted that there was too much political interference on technical issues and investigations by different institutions were needed (notes from observation of meetings). However, the responses were weak. The World Bank tried to deal with the problem via its management at higher levels (notes from observation of HDPG meetings). Other health DPs said they would continue to raise the issue through the SWAp-related structures such as the HPAC and JRMs (notes from observation of HDPG meetings). This was taking place but in a somewhat informal way. The issue was mentioned in general discussions; however, it tended not to be addressed with Government directly and publicly (notes from observation of meetings). Clearly one of the problems in this area was the need for evidence to hold those responsible to account, which was not easily obtainable.

> *We have not actually taken a firm stand on perceived potential corruption but I think it's because that is not obvious. We don't really know but you know that it's got to be something because there are things that are going on.... But it is kind of insidious; you can't really put your finger on it. But we have not as a group stood up, and said, wait a minute we do have to clean this up. We have been doing it through the [*commissioning of*] case studies.... it's a really sensitive area, obviously. So I think we try to deal with it in more indirect ways.*
>
> (DP representative)

<u>Performance problems regarding management in the health sector</u>

The health sector seemed to be experiencing performance problems at around the time of the fieldwork (2003/2004). This worsening of performance is exemplified below through analysis of problems in relation to the budget process and tracking studies (Programme 9 study).

The SWAp seemed to have contributed to the enhancement of the reporting and accountability structures of the budget process, particularly after the start of the HSSP in 2000. For instance, the budget framework process was said to have been well managed and to have become more transparent (various interviewees). The Budget Framework Papers were institutionalised as part of the budget process and had their quality and consistency improved over time. As highlighted by a key informant (KI – 5, other), the preparation process of Budget Framework Papers included information being made available on time for discussion among partners before it needed to be

submitted to MoFPED. However, there were problems of transparency in the budget process at a later stage, mainly during the period of 2003/2004 as illustrated below.

For example, the budget negotiations for the 2004/05 budget seemed to lack an overall strategic approach. There was lack of clarity / transparency in budget lines and this was said to be linked in part to the lack of a consolidated yearly work plan of the MoH (notes from observation of meetings). To this point, one DP representative noted that a strategic plan was needed and not just a cost of programmatic activities.

Still within the context of the budget negotiations for the 2004/05 budget, another problem referred to the difficulties DPs experienced when trying to obtain information on the budget. DPs in the health sector were trying to use their influence by lobbying with the macro development partners group[79] to support the arguments of the MoH during the negotiations with the MoFPED. However, health DPs felt they were hampered by not having timely details on the budget that would have allowed them to make a stronger case earlier in the process. They also felt they had to put pressure on the MoH to further pursue the negotiations and avoid the budget cuts. They highlighted to the MoH that they still had the opportunity to negotiate with the MoFPED and at cabinet as well as with Parliament prior to the finalisation of the Budget Framework Paper (notes from observation of HPAC meetings).

This might be understood as interference but it was difficult to understand why the MoH (particularly the Health Planning Department) did not seem so engaged in the negotiations with the MoFPED and appeared to be reluctant to 'use' donors to put pressure on the MoFPED and Parliament. For instance, it was said that donor-funded TAs within the Department were being excluded from the budget discussions (notes from observation of the HDPG meetings). A DP representative during a SWG meeting (May 2004) questioned the Ministry's behaviour in relation to this problem: "*Doesn't the Ministry of Health trust development partners? Do you want our help or not*?"

This case raises questions such as to what extent some individuals in the MoH perceived DPs as an obstacle and not as facilitators. They might not have trusted their partners or perhaps they were not as committed to the budget process as they might have been in the pursuit of other causes. An illustrative case of the potential 'quest' of

[79] The macro development partner group works closely with the MoFPED; and is directly involved in the budget negotiation process as well as the public expenditure reviews.

other objectives was the development of a proposal to introduce social health insurance in Uganda.

Resources were allocated in the 2004/05 budget for the preparatory phase of information gathering and discussions for the development of the proposal. This included, for example, mobilisation activities at district level and study tours to Thailand and Brazil[80]. Donors were once again dissatisfied that the paper detailing the proposal for social health insurance was not circulated for discussion with them. In spite of the budget cuts foreseen in that year, during the negotiations the budget line for the development of this proposal had a substantial increase. A DP representative noted that a group of consultants from Harvard had recently suggested that social health insurance should be a long term strategy (next 10 to 15 years) and hence in view of the budget cuts in the 2004/05 budget, this should not be a priority (notes from observation of HPAC meeting, May 2004).

Various key informants noted that there were hidden agendas (corruption) being pursued with the resources allocated for the development of this proposal. They also noted that within the Ministry (Health Planning Department) there were reprimands for people who were opposed the social health insurance strategy.

A crucial part of the budget process should be the effective functioning of the SWG. However, this also seemed to be deficient. For example, meetings which should be monthly started to be become less frequent, as illustrated by a gap of three months between the December 2003 and the April 2004 meetings (notes of observation from HPAC meetings).

Due to such gaps, DPs noted that meetings became packed with information and documents to be analysed within short notice, thus hindering proper discussions and agreements (notes from observation of meetings). This once again illustrated the lack of effort made by the MoH in involving donors, specially the Health Planning Department which was in charge of leading the budget process.

> *The SWG is not just to stamp on the Budget Framework Paper as decided by top management. SWG is supposed to be a process with discussions along the way.* (DP representative during SWG meeting of May 2004)

[80] Even though Brazil abolished Social Health Insurance in 1988.

An additional problem with respect to the functioning of the SWG related to the delay by the MoFPED in producing clear ToRs for the SWG. The SWG had been meeting for two years with no ToRs. The lack of detail about its functioning meant that members of the SWG had to deal with vague and often disputable criteria (e.g. with regard to donations in kind, multi-sectoral projects, project management costs). Donors requested the MoFPED provide further details in terms of guidelines but it had still not done this by the end of the fieldwork (notes from observation of meetings).

Further, it was said that since 2002 (and at least up to the end of fieldwork), RH projects were not subject to review by the SWG (KI – 3, other). Donors were said to approach the Reproductive Health Division directly and various small projects were accepted which were not assessed against efficiency and equity criteria.

Thus, it appeared that the existing budget process under the SWAp framework and its structures like the SWG had failed as mechanisms of control. During meetings like HPAC donors held the Government accountable and threatened to withhold funds if there was not satisfactory progress on the Budget Framework Paper or if the SWG did not become operational.

> *Meeting noted that if there were no SWG meetings, partners would declare there won't be any funds released to the health sector.* (HPAC meeting minutes 14 April 2004)

However, when it came to the decision at the time of the JRM 2004, progress was declared satisfactory and funds released. This represented a failure by DPs to penalise Government for the various abovementioned performance problems.

As presented below, tracking studies scrutinising problems within a specific area seemed to have contributed to reduce information asymmetries at the beginning of the SWAp (in 2000). From the first tracking study of financial flows (2001/2002), it appeared that disbursements of funds improved after the follow up by the MoH of the recommendations made by the study. For instance, in 2000/2001 the average time delay for the flow of funds from the MoFPED to service delivery points in districts decreased from 75 days to less than 30 over the two year period (MoH, 2003d). The study showed that implementation of activities at district level was delayed by about two months in any quarter – leaving about only one month per quarter for implementation (MoH, 2001c). The absorption of funds and the quality of services delivered was highlighted by the study as being directly affected by the delays.

The results of the second tracking study on procurement of supplies and central activities[81] – National Service Delivery Programme (in short form called Programme 9) – and the way the MoH responded to the findings was in clear contrast to the trend set by the first tracking study where information problems in the system were revealed and problems dealt with.

According to Table 6.8, the study's findings showed for example that new releases of funding were taking place in spite of the lack of accountability for previously released funds (finding number 11). One of the PAF guidelines was that accountability must be demonstrated before new releases, and hence MoFPED was not following its own guidelines (KI – 1, Government official).

Further, as shown by the example of finding 6 in Table 6.8, in some programmes there were accountability problems in approximately 70% of transactions. There were also instances of reallocation of funds from one sub-budget line to another without prior discussion (finding 2). This was possible due to the lack of clear guidelines for reallocation of funds (finding 3), which could perhaps be linked to the lack of interest by Government in producing such criteria.

[81] Due to economies of scale, funds are centralised into this programme for purchases of programme supplies to districts.

Table 6.8: Key problems identified by the tracking study of Programme 9

	Key findings
1.	*Delays experienced at MoH to disburse funds to sub-programmes (lengthy process, incomplete requisitions, poor accountability).*
2.	*Re-allocations are not done in a participatory manner with the sub-programmes – guidelines do not exist.*
3.	*Too broad and inadequate guidelines[82] of eligibility of activities for programme 9 funding provided by Budget Framework Paper and policy priorities within MoH headquarters.*
4.	*Guidelines for utilisation of PAF funds were complied to more by sub-programmes outside MoH HQs than within.*
5.	*Lack of supporting documentation for some facilities / services received by some sub-programmes. E.g.: In ....* [Omitted for confidentially reasons] *programme of the 84 transactions sampled, only 30% showed accountability and 46% had implementation reports on the activities undertaken*. (Underlying by VOC)
6.	*Fiscal accountability of funds was reviewed by MoH internal auditors. No evidence of review of the technical aspects of the activities done* (lack of technical reports for activities carried out). *E.g.: It was observed that funds released on direct payment for some activities on programme 9 did not have any accountability, for instance where seminars were held, hotels receipts are lacking to support payment for the facilities/services received and participants did not acknowledge receipt of per diems/allowances.*
7.	*Accountability of funds received & reporting on activities carried out still weak for most of the sub-programmes reviewed.*
8.	*Periodical* [financial] *reports (releases vs. actual) not regularly prepared at programme & sub-programme levels.*
9.	*Some programmes (i.e. professional councils) did not keep proper books of accounts.*
10.	*Sub-programmes activities are not matched with funding sources during expenditure recording & accountability phases.*
11.	*There was more or less 100% compliance of releases from MoFPED & releases were received in time.*

Sources: MoH and Business Synergies (2004) and Powerpoint presentation during stakeholders meeting, May 2004.

As pointed out during discussions at the 2003 JRM, it was surprising that the Auditor General approved the accounts of Programme 9 in view of the above findings. In addition, according to a comment by a DP representative during the stakeholders' meeting (where the study's findings were presented), some of the problems identified by this study could have been addressed earlier if PAF reports that were supposed to be reviewed at HPAC and SWG had been submitted on a regular basis.

The results of the tracking study of Programme 9 should have been presented during the 2003 JRM. However, they were only presented in complete form to a stakeholders meeting six months later, in May 2004. There were several problems that led to delays in the production of the report by the study team as well as delays on the part of the MoH in responding to the findings of the study and in relation to the implementation of the study's recommendations. These are summarised in table 6.9.

[82] Programme 9 guidelines were supposed to have been developed one year before the tracking study, however by the time of the presentation of tracking study, this still had not happened (key informants).

Table 6.9: Problems related to the delays experienced by Programme 9 Tracking Study

Problems experienced by research team during conduction of study	Problems related to the delays in the response by the MoH	
	Immediate response to recommendations of the study	Response in relation to implementation of study's recommendations
The delay was in part due to problems faced by the consultants undertaking the study such as difficulties in getting information (like work-plans and records) from some sub-programmes, poor stores records and accounts record keeping by the sub-programmes, and delay in the contractual extension of the study (Powerpoint presentation during stakeholders meeting, May 2004).	There were also delays in the preparation of a follow up response to the recommendations of the study by the MoH. This was agreed to be presented to DPs during the July 2004 HPAC meeting (Minutes of HPAC dated 2nd June, 2004). At the end of August 2004, DPs in a letter to the Director General Health Services expressed concern about the lack of progress in regard to the plan for implementing the recommendations related to the tracking study (Letter by the HDPG dated 26 August, 2004). A matrix detailing the process and actions for the implementation of the study's recommendation was finally presented to HPAC in September, 2004 (Minutes of HPAC dated 9th of September, 2004).	The undertaking for Programme 9 tracking study agreed during the JRM 2003 was to hold a stakeholders workshop to finalise the study's report and to implement its recommendations (MoH, 2003b). Progress as reported during the 2004 JRM was that the draft report was discussed among stakeholders and a final report produced on the basis of the discussions held. However, the implementation of the study's recommendation had to be deferred to another undertaking agreed in the 2004 JRM. A programme of work for the implementation was to be presented by the end of January 2005 (MoH, 2004a).

The delays presented above might have been related to more systemic problems in the budgeting and accounting procedures[83] which are more amenable to change. But there was also the possibility that the Government was not directing sufficient effort into monitoring, or was unwilling to provide information that might reveal this. In this regard, there were accounts that top management of the MoH was not prepared to respond to the identified problems and seek solutions because of suspicions of corruption (various KIs noted this).

For example, the difficulties experienced by the study team in accessing data from the MoH seemed to be related to the unwillingness by top management to facilitate access (KI – 5, other). Further, during the 2003 JRM, the Government apologised for the non-presentation of the tracking study due to *'technical problems'*. A key informant (KI – 4, other) at the time mentioned that the person in charge was "*actually avoiding the presentation of some harsh findings about the lack of transparency in the allocation of funds of Programme 9, with, for example, PAF money going into workshops in Muyonyo and other similar resorts with long lists of participants that aren't all needed.*"

[83] Which were probably related to administrative problems (lack of or poor record keeping) and capacity issues (problems due to lack of staff).

In addition, a question that arises here relates to the possible explanations behind the contrasting experiences between the tracking study on financial flows and the one on Programme 9. Perhaps there was greater support within Government during the time of the first study for more in-depth investigations into problems, for revealing and sharing information, for seeking solutions to problems experienced at district level. This could be related to the individuals in charge and the overall spirit of reform and focus on improving performance (context of introduction / early implementation of SWAp and HSSP).

> *There was a strong reforming political leadership with vision for the sector; top management was also committed, and they were supported by strong reforming technical people.* (KI – 2, DP representative)

It may also be the case that districts were dealt with more rigorously by the centre than the centre dealt with its own performance.

> *And it certainly seems to me with the tracking studies that the central level PAF funding was not being monitored to anything as the same degree as the district funding. And* [yet that's] *where the potential for diversion of funds is essentially higher.* (KI – 4, other)

At the time the latter study was conducted, there was a different group of officials in charge who were perhaps less concerned about performance improvements and efficiency gains.

> *Last year, due to changes in personalities within the ministry....the proponents of the partnership have not been visible to the same extent and some of the new faces within the ministry have not seemed to value the partnerships to the same extent so you've seen fewer meetings, their engagement has been limited over the last year and decisions have been taken that ... should have been discussed.* (KI – 1, Government official)

There had also been changes in the overall political context which seemed to be geared more towards the electoral process (third term) and less towards the implementation of reforms at sectoral level.

> ...[with] *the run up to the elections it will constrain the ability of individuals within the ministry to determine a lot of those technical decisions as political affairs are starting to come into the scene at the expense of the technical.* (KI – 5, other)

The above was likely to be related to the overall governance problems presented earlier in this section. For example, technical commitment was being overridden, with some senior officials in the MoH being appointed because of their political credentials.

Within this context, the response by DPs was to threaten to apply sanctions by stating that if the study was not presented by June (2004), progress on this undertaking would be declared non-satisfactory and this would affect the transfer of donor funding (HPAC meeting minutes 14 April 2004). However, in spite of the delays observed and the problems revealed by the study, progress was declared satisfactory during the 10th JRM in October (MoH, 2004a) and funds were not withheld.

6.4 Distortion of the penalties and rewards system by the parties

This section examines reasons as to why the penalties and rewards system was being distorted by the parties.

6.4.1 Donors distorting the penalties and rewards system

Key issues analysed in this sub-section are: the way in which Uganda was made a success story and further rewarded for these 'successes'; and how DPs employed incentives to disburse aid resources and did not penalise the Government despite poor performance.

Uganda's rewards for its 'successes'

Evidence from key informants suggested that Uganda appeared to be rewarded not necessarily because of its good performance but because of incentives donors had to make it into a success story and/or to buy into its existing status of a success story. DPs played off their own country governments by trying to invest in a successful programme so that they could have a claim on the results, get more funding and again have further pressure to disburse and so on.

> *We are doing enough where we can take credit for some of the results as well. Not that the government doesn't get credit. But as in any development agency, it has to be able also to say here is what we have achieved... and then again, if you can say that you're successful that your agency is doing*

things that look successful, and then you can also get more funding. (DP representative)

As added by this donor representative, if successful a country would get more funding in the future. For example, PEPFAR coming to Uganda was a reward[84] for the HIV/AIDS work done previously and considered to be a success. In the first year, Uganda was due to receive the largest share of PEPFAR funds – more than South Africa which has a much higher prevalence rate[85] (18.6% in 2003) and Nigeria which has a much larger population (132 million[86] with a prevalence rate of 3.7% in 2003) (notes from observation of meetings). PEPFAR was said to be built strategically and intentionally upon the programme successes and existing partner relationships established in Uganda (various KIs).

Geopolitical interests appeared also to play a role in the way Uganda was rewarded - not linked to its performance - as noted by key informants. These included: the role Uganda could play as an ally to the US in stabilising the region; the ease of working in Uganda (given the stable politico-institutional environment, e.g. non-existence of armed conflict in most parts of the country, established/elected Government, accountability structures in place such as the Parliament) in comparison with Sudan or DRC; and the speculation that there might be oil reserves in Northern Uganda which would attract US interests. But more strongly argued by various interviewees was that Uganda's support to the invasion of Iraq was being rewarded with PEPFAR funding (as mentioned in section 6.3.1).

USAID considered Uganda to be a well-performing country in the area of HIV/AIDS and Malaria as noted by a donor representative. Under the Clinton administration the relationship between the two countries was said to be good, although the Clinton administration was deemed more critical of Uganda and Museveni. Under the current administration, USAID and Bush have not been critical of Museveni, for example on the third term issue. Museveni and Bush were also said to be allies in respect to the adoption of a Christian rightwing doctrine (Epstein, 2005).

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[84] It was considered a reward in terms of more funding from the perspective of the donor agency and those parts of Government benefiting from it. But on the other hand, it operated as a reward failure towards the budget support mechanism from the perspective of other parts of Government that adhered to it, as argued in section 6.3.1.
[85] Source for prevalence data for South Africa and Nigeria: UNAIDS, 2006.
[86] Data refers to 2004/2005 (UNFPA, 2007)

Incentives by DPs to disburse aid and not penalise the Government

Government performance was far from desirable or matching what was agreed and yet funds continued to be disbursed. SWAp and GBS donors had been signalling the possibility of even more funds if macro-economic ceilings were lifted.

> *Donors are too soft on Uganda and are not tackling the big problems* (KI – 3, other).

As presented in this and the previous chapter, there were various instances of poor performance or shirking on the agreed aid contract on the part of the Government.

These included for example:

- Inadequate high level political support towards the management and performance of the Resource Centre, Reproductive Health Division, and Health Planning Department (and related budget process issues);
- Persistently low indicators for RH and maternal health;
- Undertakings not being achieved or being vaguely formulated;
- Failure of the control mechanisms of the SWAp (e.g. SWG);
- Decreased levels of transparency and various rumours of corruption.

Failure to penalise took place in the context of verifiability problems. The actions of the Government could be observed by DP and the Government itself, but not by a third party – as independent assessment of performance was deficient. Commitment to M&E by both parties was also low. Donors could easily observe poor performance as many have access to information beyond JRMs and reports through TAs working within the Ministry.

As noted previously, there were problems wherein the achievement of performance was facilitated by the writing of ambiguous indicators or the agreement to undertakings that were under-demanding, vaguely formulated and lacked quantitative benchmarks against which progress could be measured.

While there were threats, for instance, because of the delay in responding to the report of the Programme 9 tracking study, these threats did not materialise. Threats were not even made in relation to non-achievement of agreed undertakings in the areas of RH or HIV/AIDS (from observation of meetings and review of documents like minutes of HPAC meetings).

Hence, performance was inadequately measured and poor performance was not punished. The Government's perception was that aid would continue to flow, thus there were no incentives to perform better.

As noted by a key informant (KI – 3, other), sanctions for poor performance are not credible if they do not materialise. For instance, it was mentioned that RH had been made a priority area by DPs and the Government for the past 3 years but there had not been enough results or any punishment. If donors continue to fund without due attention to performance and penalties, poor performance and misbehaviour will continue.

> *Lack of adherence of donors to conditionalities or not imposing penalties mean that government is also not serious about performance, donors then lose leverage and government can do what it wants.* (KI – 5, other)

These problems could be further exacerbated because aside from the general incentives DPs had to disburse their aid budgets in spite of poor performance by the Government, the situation has been compounded by the recent increases in aid budgets. For instance, in the UK the Labour Party's commitment to aid has resulted in substantially increased budgets for DFID (KI – 4, other).

This incentive to disburse is likely to be linked to the overall higher profile of aid and development in the UK and among the G8 countries in recent years, going beyond the Labour Party commitment, as reflected for instance in the pledges agreed during the G8 summit in Gleneagles. Hence, DFID's considerable increase in development aid budget represents a strong pressure to disburse funds over the next years. Failure to do so could be politically embarrassing for the Government, both domestically and internationally.

While the UK Government has been channelling its increased aid budget via GBS, the US Government, which also increased its foreign aid budget, opted for large-scale projects such as PEPFAR as the mechanisms for disbursing their funds.

Donors' justifications

DPs tended to justify their continued disbursements of aid flows by presenting a number of difficulties in relation to alternative answers. For instance, various

interviewees (DPs and KIs) mentioned that there was a 'tricky' balance in judging when corruption and governance problems exceeded 'acceptable' levels and when it was time to take action (related to the argument that it was a long term process of building capacity and improving existing systems).

But the course of action that could be taken also seemed to lack clarity. For example, in the case of corruption, should donors whistle blow to local media or parliamentarians and stimulate local accountability mechanisms or should they suspend aid. The latter was argued (KI – 4, other) to have the downside of disrupting service delivery and poverty reduction targets. In the case of the former, it could also be speculated that they might be afraid of adverse consequences, such as job losses or other retaliations, if they pursued the route of exposure via local media for instance. In addition, there was the need for legally robust evidence for any investigation to move forward, which may not be easy.

Another possibility was for donors to support Civil Society Organisations to hold the Government to account by funding them. However, if DPs continued to disburse aid in spite of poor performance by the Government, Civil Society Organisations might feel betrayed, as they saw donors' funding as a powerful instrument to hold Government to account in comparison with their ability to do so from inside the country mechanisms and power relations.

A further possibility would be if the World Bank were to engage more in political and governance issues. Given that the World Bank was considered a 'heavy weight', this was thought to be helpful in strengthening the position of all donors (KI – 4, other). However, the World Bank was seen as lacking expertise in political analysis (KIs – 4 and 5, others). On the other hand, while "*by its founding charter, it is prohibited from entering into political aspects of the governance agenda…* [it] *has become increasingly active on anti-corruption and government accountability*" (Pomerantz, 2004). DFID was also said to be lacking technical expertise on political analysis (KIs - 4 and 5, others). Their advisors felt, for instance, that they knew little about countries' history and cultures; and that they spent too short a period of time in each country than is required to build a sufficiently strong knowledge base.

Some donor representatives interviewed felt powerless (at advisors level) to take action regarding accountability problems but also on issues like poor performance within the MoH.

We have less power than people think as donors. We can say things at HPAC or SWG but if I can't persuade something then it won't happen. (KI – 2, DP representative)

Some donor representatives noted that once they opted for GBS, there was no 'way out' and they felt 'trapped'. This might be related to the issue of political power within the hierarchy of development agencies but also to the lack of an explicit system of penalties and rewards. For instance, in regard to the problems of accountability, particularly around the election process and rumours of diversion of funds for that purpose (section 6.3.2), in spite of this being raised by advisors at country level, it had to be perceived as a major problem by headquarters before, for example, DFID would take action (which came later around the time of the elections in 2006 – after the fieldwork).

Another justification for the lack of penalties being applied related to the argument that there was a lack of funding and so poor performance was acceptable. The donor representative concerned felt constrained in taking action:

There is an unwritten rule that you can't deal with poor performance because part of the deal is that if you are going to perform well, you are paid well and that's the sort of argument that you will go back to, their civil service systems are like ours were, somebody does not perform well then he moves them or promote, doesn't make the great performance overall. (KI – 2, DP representative)

A further argument was that of 'interference'. DPs seemed to fear being accused of meddling in domestic affairs - by making use of the SWAp processes in substitution of other Government mechanisms that if functional and effective would not require DPs to 'step in'.

To what extent is it right for us to be interfering? The DG has made that clear, to what extent is us playing an appropriate role in showing accountability and good performance, to what extent is the SWAP taking over from other processes that ought to be happening within Government…. if the DG hasn't got the time or doesn't feel able to tell the Commissioner Planning, get a decent budget framework paper produced, then he probably won't mind if we do that. But is that right? (KI – 2, DP representative)

Another justification related to the power of those people within Government that donors interacted with, at their hierarchical level. Donors argued that problems lay somewhere above those they were in contact with; for example, top level officials within the MoH not being able to deal with the issue of corruption at higher levels, or project funding being negotiated directly with the President's office as was the case of PEPFAR.

A final justification that donors seemed to have for not holding the Government to account related to their hesitation or fear of breaking trust levels and exposing or challenging individuals they have been working with. This appeared to be the case with relationships that developed over a long term, based on personalities that got along well, which allowed for the development of openness and trust - as in the relationship established between certain top level officials and some aid representatives who were able to openly discuss internal MoH management problems. However, while one was trusted at the individual level, as a donor he or she was also trusted not to say anything or not to take it to an institutional level (KI – 2, DP representative).

The above point could have been related to individual rewards within aid agencies. Aid representatives might have been rewarded on the basis of evaluation of clients / Government counterparts in recipient countries (Azfar, 2002). They were expected to have a good relationship with government counterparts, and be seen as influential within government, so strengthening the leverage of the aid agency.

6.4.2 Government benefiting from a distorted system of penalties and rewards

It seemed the case that some individuals or groups within Government were misbehaving by seeking individual benefits from project funding or through the budget (given transparency problems, for example). As one Government official put it: "*Why work for the MoH if I can do my own things like consultancies?*"

They also did not seem very interested in health systems development issues and monitoring and hence in holding DPs accountable as necessary regarding their performance in relation to the partnership principles and HSSP.

This government is not very critical of donors, it is important for them to just have the money; they don't really care whether a donor does not perform well. (DP representative)

In this context, DPs seemed to have considerable autonomy in relation to their actions given the lack of commitment shown by the Government towards its own priorities.

It is a very easy going place, the Government is not critical of donors, there isn't a strong agenda, or strong priorities, so donors feel they can come here and do what they like. (KI – 3, other)

On the other hand, it could also be that parts of Government (with less political support at the technical level) were not able to hold donors and others within Government to account given the lack of effective control mechanisms and failure of the compensation scheme. This would include, for instance, the difficulties faced with GHIs, such as PEPFAR.

6.5 Summary of findings

The main mechanism of control to assess and compensate for performance established through the SWAp/GBS was the JRM. This process of performance assessment was considered to lack objective measures as it was based on a subjective system of discussions and agreements among DPs (principals) on general improvement as opposed to an explicit or condition-based system. Examples of weaknesses related to the JRM performance appraisal system included:

- Incomplete progress reporting of national level indicators;
- Undertakings lacking quantifiable measures of progress, being vaguely formulated and lacking verifiability;
- Organisation of district visits facing problems of variable quality across the different districts, affecting the extent to which information could be collected and analysed; district visits lacking commitment or engagement from the Government (both district and MoH levels) as it seemed to be perceived as a donor-driven mechanism of accountability.

Attempts to use a more explicit system of compensation, as adopted by the World Bank PRSC system and the EU, also faced problems of subjectivity regarding the

assessment of performance. They relied on the outcome of JRMs (even if partially as was the case for the EU). The World Bank accepted performance as satisfactory in spite of poor reporting and non-achievement of agreed prior actions. As other development agencies used the PRSC system to trigger the release of funds, the above limitations were exacerbated. The EU compensation scheme represented an advance when compared to the PRSC because it was graduated. However, it also faced some limitations such as problems of performance measures being only vaguely defined; and being based to a certain extent on a subjective system which involved discussions and negotiations towards disbursements.

The above deficiencies hindered the scope for DPs as principals to assess the true level of performance of the agent, and hence to compensate accordingly.

In spite of the different formal models (JRM, PRSC, EU) in place in Uganda, the subjective nature of the appraisal system and the inefficiencies experienced (which are also related to the complexities in the aid environment) allowed for the distortion of the compensation scheme as penalties and rewards failed to be applied by DPs to the Government. And funds continued to be disbursed despite the lack of progress made in achieving all agreed targets and undertakings as well as other performance problems which donors were able to observe.

Examples of poor performance in the area of governance by the Government which donors were able to observe but tended not to penalise included:

- Decreasing levels of accountability about which donors expressed dissatisfaction.
- Increased defence expenditure (and reduced funding for the health sector in the 2004/05 budget) and accountability problems (e.g. lack of independence of the Inspector General, who was a political member of the Government, and lack of clear rules as to which cases of corruption were investigated and which not).

However, there were some instances of poor performance in the area of governance that led DPs to apply penalties to the Government. These included, for instance, the area of defence when Belgium withdrew support because of Uganda's military intervention in the DRC in 2001/02. Yet, the effect of these penalties was neutralised because of the unpredictability of donor aid generally.

Examples of poor performance by the Government in the management of the health sector involved an increasing lack of transparency, in terms of: other agendas being brought to the fore as some individuals put their own interests first; slackening in political leadership on reform and deficient high level political support for the management of the Health Planning Department; problems in relation to the budget process and tracking studies (Programme 9).

While donors threatened to apply penalties in view of these problems within the health sector, these threats did not materialise.

There were also examples of constraints concerning the aid environment that have hindered rewards from operating effectively. These were mainly:

a) The imposition of macroeconomic budget ceilings by the MoF that constrained DPs from increasing aid (and thus hindered the augmentation of the health sector budget); and
b) The delivery of aid through projects in spite of macroeconomic ceilings. This reflected a reward failure as DPs brought in aid in the form of projects when the Government's preferred mode is GBS/SWAp.

Underlying issues related to the above reward failures seemed to include: incentives provided to technical programmes to seek projects and incentives for DP agencies when acting as agents of their donor governments to disburse project funding; weaknesses of control mechanisms such as the SWG; and ineffectiveness of the public bureau rules and regulations. These resulted in a budget support reward failure with the health sector budget below what it should be to cover the minimum health care package ($28).

Both parties seemed to benefit from a distorted system of penalties and rewards:

- DPs seemed to be under pressure to disburse aid and had incentives to present success stories (or to buy into areas where Uganda had a success story status, such as HIV/AIDS) to their tax payers/own country Government, in order to continue receiving funding which needed to be disbursed.

  Difficulties presented by DPs as justifications for not penalising Government in spite of poor performance included: complexity in judging when problems of

accountability surpass 'acceptable' levels and what type of action to take (including consequences such as disruption of service delivery due to aid being withdrawn); poor performance being tolerable in view of the overall lack of funding within Government to improve performance; fear of being accused of interfering in internal Government affairs; lack of power at their hierarchical level (technical not political); and breaking the trust of those they interacted with within Government.

- The Ugandan Government seemed to lack incentives to perform better (as threats to penalise were not credible since they did not tend to materialise). In addition, some parts of the Government seemed more interested in engaging further in opportunistic behaviours and were not particularly committed to aid being delivered through the budget.

Chapter 7: Motives

7.1 Introduction

In a standard agency relationship, the principal uses incentives to guide or to motivate the agent's actions towards agreed desired outcomes. In such a relationship, both parties have independent objective functions and each one acts so as to maximise their expected utility. In order for the principal to deal with the incentive compatibility constraint (incentives are needed not only for the agent to choose the employment but also to advance the principal's interests within that employment), it is important to identify and understand objective functions.

The understanding of objective functions helps to predict people's behaviour within and across organisations. In turn these additional insights can throw some light onto the design of appropriate incentive schemes or refining of existing ones so as to avoid perverse incentives. Ultimately this should equip DPs as principals to achieve certain desired policy outcomes, for instance the MDGs or strengthened health systems.

Economic theory assumes that in the face of constraints, individuals maximise their utility functions which contain a number of arguments e.g. salary, safety, power, recognition etc. (McPake *et al.*, 2002). The measurement of these arguments could throw light onto one's objective function, but with the exception of salaries, these arguments are difficult to assess. Erus and Weisbrod (2002), when researching objective functions in non-profit and for-profit organisations, opted to study the expressions of objective functions in employee compensation structures. A similar strategy of identifying a proxy for the expression of objective functions of DPs and RGs is needed which captures the subtle differences.

In this chapter, I study the objective functions of individuals within organisations (DPs and Government). But also the aggregated effect of those motives that make up the goals of the organisations they belong to and how that affects the relationship between principals (DPs) and the agent (Government). In applying Zinnes and Bolaky's framework (2002), I focus here on the micro and meso levels. To this end, I have interviewed staff in both Government and DP agencies to find out about their motivations as well as their career objectives as a proxy to analyse their objective functions. There was also an attempt to better understand individuals' utility functions

by not solely relying on interview data but by also observing the behaviours of individuals and their actions within their organisational environment (to the extent possible in open access meetings and through access to documents reflecting the organisation's behaviour).

There are shortcomings with this approach. While it is important to understand one's utility function in full, respondents may not have fully disclosed their true motives. In addition, all elements of individual objective functions may not be observable to outsiders (McPake *et al.*, 2002). To minimise some of these problems I asked interviewees about their perceptions of the goals of the other parties (e.g. Government officials were asked about what they thought the goals of Development Partners were). Moreover, some of the interviews used in this chapter were with key informants who reported on their perceptions, as third parties, of the motivations of Government/DPs. Although some key informants were part of either one or the other organisational group, some other key informants were not staff of any of these (e.g. external consultants).

A caveat here is that the group of people interviewed tended to be individuals more closely linked to the SWAp and GBS as opposed to projects. This is because there was greater access to them through the meetings such as JRMs and HPAC, in contrast to project management and evaluation meetings. This may have biased the account of individuals' motives and organisational goals presented in this chapter.

Table 7.1 shows the number of interviewees (for this chapter) according to their categories within this research.

Table 7.1: Interviewee categories for this chapter

	Government		Development Partner[87]		Key Informants
	Non disease specific programme	Disease specific programme	GBS/SWAp	Project/SWAp	Other
Number of respondents	7	2	5	5	5

In order to better understand individual and organisational objective functions I compared and contrasted stated and revealed motives and related conflicting objective functions. While individual objective functions were assessed primarily by

[87] Distinction between GBS/SWAp and project supporting donors reflects main channel of aid used by the agencies, but there was some overlap as to the channels of aid used by various donors. In addition, in spite of channelling the bulk of their funding through projects, a donor could still be involved in the SWAp process.

considering their stated motives, the examination of organisational objective functions relied on investigating motives as these were revealed through the behaviours of principals (DPs) and the agent (Government) whose actions I was able to observe. To a large extent, illustrations of actions presented here were used in the previous results chapters.

7.2 Stated motives

This section focuses on the motives of Government and of DPs, as stated by the parties (based mainly on interview data). It covers individual (including career development goals) and organisational motives.

7.2.1 Individual motives of Government officials

A major factor that was claimed to motivate Government officials was the willingness to contribute to health systems development. Individuals said they were motivated '*to make a difference*'. More specifically they emphasised they would like to work towards health sector reforms, the SWAp, improving quality of care and supporting districts. The latter was reflected, for example, in this quote:

> *I mean you go to a health unit and you find people* [queuing] *the whole day, staff not bothered, infection control is poor. Yet they have the equipments. But if you sit down and say colleagues, the resources we have here, the drugs we have can provide better services than this and you assist them; the next time you come you find a big improvement, you feel great.* (Government official)

Disease-specific areas (e.g. HIV/AIDS or malaria) were not alluded to among the motives of individual Government officials. An exception was a reference to women's health as a particular motivation for one interviewee. However, this could have been biased by the group of interviewees who were to a large extent not linked to disease-specific programmes in the MoH.

Visibility of successful reforms or programme outputs and related recognition for Uganda due to such achievements were also mentioned as part of people's motives. This was related to individuals' roles in such successes being appreciated/valued. Being associated with these successful programmes was seen as potentially rewarding for staff, for example, when pursuing an international career (e.g. a job at WHO) or being invited to overseas conferences, or receiving consultancy

assignments. In addition, Uganda's visibility allowed staff to share their experiences/expertise with other countries as, for example, when serving on the board of international organisations.

Some individuals (both at technical level and at top and senior management levels) claimed to be motivated by the greater control over resources allowed by projects. These resources were related to elements that enabled the implementation of activities and facilitated their work, such as vehicles, fuel, computers, telephones, and support staff. They were seen as motivating factors in view of poor conditions and low pay in Government. Some key informants noted that individuals from technical programmes were more likely to be driven by project resources and the associated status they might offer.

> *Motivation is being given to me in office like being given facilities, now I have a phone, a direct phone, I have somebody who can help me, I have a secretarial staff, I have the support staff, fuel and a vehicle to move and do our work.* (Government official)

There was also a perception among some donors that certain individuals in Government, both at the political and technical levels, were more closely driven by financial benefits in the form of corruption. The implication was that these individuals might extract gains through the aid contract (a particular concern expressed by DPs in relation to funds being channelled through the Government budget). For instance:

> *Some top people are not right, they are the 'old boys network' and take wrong political decisions and are self-interested, corruption you know, and some technical people are 'bad guys' as well.* (DP representative)

These concerns reflect newspaper reports of corruption both at higher and lower levels of Government. Suspected cases include: an instance of bribery in the amount of Shs 170 million involving the State Minister for Gender and Culture (The Monitor, 2004a); and the disappearance of Shs 2.8 billion from the coffers of Mayuge district (The New Vision, 2004).

A range of career development goals were reported. For instance, some people were happy to continue doing their jobs at the national level. As expressed by one Government official: "*My goal is to stay at the Ministry of Health and help my people*". In line with the commitment to make a difference and contribute towards their society

and Government, some said that in spite of opportunities to work abroad, they preferred to continue working for the Ministry.

> *I have been approached several times, but I had that commitment for my country because at that time when we were in the middle of fighting this epidemic, it did not matter to us really the good jobs and good money, what we wanted was really to fight this epidemic and see how we can rescue our country out of it. Otherwise most of my colleagues in other countries who were programme managers are now working with UNAIDS.* (Government official])

Others noted they would like to gain experience elsewhere and this included working with an international organisation. Although not mentioned explicitly, informal discussions hinted that reasons for being interested in working with an international organisation were associated with prestige/status, better salaries and resources within the working environment. No one demonstrated interest in working at the implementation level (districts or health facilities).

Many individuals said they were pursuing opportunities for further training (including at academic level, e.g. PhD) and/or the possibility of combining some involvement in research.

> *I … publish and contribute to a deeper understanding of our daily health situation - I have so far had several publications.* (Government official)

Some expressed a combination of the above goals, as illustrated by the quote below:

> *I would like to see my professional career develop, do some further training, be promoted, gain more experience, and land myself in an international position.*
> (Government official)

7.2.2 Individual motives of development partners

Similar to the motives of Government officials, individuals working for development partner agencies expressed their willingness to '*make a difference*', to work towards improvements in the sector. They felt motivated to help the Government to achieve its plans. They were generally interested in development issues, in Africa but also in Uganda as a country. More specifically they conveyed their commitment to poverty reduction, reproductive health and HIV/AIDS. These motivations were more strongly

emphasised by those working in the larger bilateral development agencies in the country, i.e. USAID and DFID. For instance,

> *DFID has a strong reputation as the most motivated and committed government department in Britain. People work for it because they want to, not because that's the government department they've been assigned to... I care about what happens in this country, with the people in this country, and having an opportunity to do something about some of the problems is a motivating factor to me.* (DP Representative)

Other motivating factors for DP representatives included the independent nature of their work as it allowed them to take initiatives and have some control over aid delivered. Further elements were the possibility of having management control, power and seeing their particular role recognised. These motives seem comparable to those of Government individuals who described some of their motivations as related to the rewards they could extract from being associated with successful programmes; but also implicit is the link to the control of resources as allowed by projects in contrast to sector and general budget support.

Some individuals noted it was motivating to be part of the decision-making process of government. They appreciated the scope they had to influence and change policy. For instance, one individual mentioned that she was responsible for including a specific monitoring indicator (CYPs) in the area of reproductive health as part of the list of indicators of HSSP.

Donor coordination and improvements in their relationship with the Government played a role in motivating a number of individuals. They felt it was very motivating to be working in an environment where donor coordination was so advanced as compared to some other countries. The way some donor representatives expressed their motivation towards aid coordination differed slightly from individuals within Government. Government individuals felt motivated by the SWAp process as a whole and its goal of contributing to overall improvements in health systems performance (e.g. improved efficiency, reduced transaction costs). DP representatives, on the other hand, seemed to be more motivated by the actual process of donor coordination and its less bureaucratic nature compared to previous ways of engagement between donors and with the Government.

In terms of career development goals, the majority of respondents intended to continue working in the area of development aid. They would like to gain further experience in different countries which would allow them the opportunity of learning different cultures and languages. Further studies were also among the career plans of some individuals – as was the case for individuals within Government.

A few mentioned their objective of moving their area of work from more technical issues towards general health systems. In addition, some other individuals who expressed intentions to stay in their organisations aimed at progressing within the hierarchy and becoming directors for example. Some others noted interest in working in a different development agency. This was particularly the case of individuals working for bilateral agencies who would like to move to a multilateral one.

7.2.3 Organisational goals of Government

As reported by interviewees, major Government organisational goals were said to include poverty alleviation, development of the sector – in terms of improved performance and quality of service delivery – and reduction of morbidity and mortality. These goals were also expressed in key Government plans such as the PEAP and HSSP. Donors' perception of Government goals were in line with the above. They emphasised the objectives of the MoH as being centred on overall improvement of health outcomes (including rehabilitating the infrastructure) and not just a focus on '*quick fixes*'. One DP representative mentioned that "*they* (the Government*) have some good technical people and some good political leadership working towards this*".

In order to reach these goals, some respondents noted that there was a need for resources which were often linked to the overall funding gap of government and the need to pursue donor aid as a means to close this gap. One Government official for instance said: "*The Government's goal is to improve the health status of the population through HSSP and NHP and related targets and seek support from donors to achieve so.*"

Another goal of the Government as an organisation was claimed to be the SWAp, which was perceived as a means to attain improvements in health system performance. In line with the SWAp principles, Government objectives included the

pursuit of control and ownership so that it could articulate its own policies, bearing in mind the need to negotiate and reach consensus with other stakeholders.

In line with the SWAp and aid coordination reforms, the Government also had the aim of improving its relationship with donors. Improvements were said by various interviewees to be attempted through making aid delivery more efficient (reducing transaction costs, enhancing harmonisation of donor practices) and effective (increasing transparency, developing further donor coordination and alignment towards Uganda's priorities, i.e. to follow the HSSP and channel aid through the budget). For example, a government representative mentioned that the Government expected to "*coordinate development partners in order to achieve its objective of reducing maternal mortality and increasing contraceptive prevalence in view of different donors supporting Government in different ways, like USAID which does not cover certain areas so need to assure other donors do*".

A further Government goal reported by some interviewees was in the area of human resources. The key objectives were to increase the numbers of health workers and their motivation. This was seen as an area where there was lack of alignment with the goals of development partners. The Government felt it had to devote greater efforts to this area in order to fill the gap left by donors who it perceived to concentrate their investments on infrastructure and equipment.

7.2.4 Organisational goals of Development Partners[88]

Responses by DP representatives varied from those referring to the broad goals of poverty reduction, economic development and the provision of humanitarian aid, to more specific ones such as the long-term development of health systems and improvement of health outcomes. These motives reflected those of Government as formulated in its plans, e.g. PEAP and HSSP. However, the goal of contributing towards the long-term development of health systems could be seen as being in contrast to the response of various individual representatives from donor agencies when saying they were motivated to obtain experience in different countries and learn different cultures, making their stay in each country relatively short. Yet, as an individual, one can attempt to contribute towards long-term impact despite being in the country for a short period. Perhaps of greater relevance is the extent to which they

[88] At country level (does not include the goals of headquarters).

have a stake as individuals in Uganda's development and want to see credits for their achievements during their stay in the country.

Some donors, such as USAID, outlined their goals in relation to more precise areas of interest such as HIV/AIDS (including the achievement of targets in this area as 2/7/10[89]), RH, TB, malaria, population and child survival, and to a lesser extent some work in cross-cutting issues.

Donors like DFID and Italian Cooperation expressed their motives in terms of overall and long-term health systems development and partnerships strengthening, i.e. discontinuing of vertical projects (seen as associated with short-term gains), adoption of aid harmonisation practices, SWAp, GBS, greater government ownership and leadership, and the achievement of the MDGs.

While it was said that aid had become more humanitarian over the years after a number of agencies untied their aid, which focused in the past on opening up markets for their economies, perception of commercial interests seemed to persist, as reflected through the responses of some interviewees. These were often linked to political / geopolitical goals.

For instance, the pursuit of economic and political interests when providing aid is explicitly recognised by the US, which considers it a conduit to the improvement of its foreign relations.

> *U.S. foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world.* (USAID, 2006)

The driving motive behind the PEPFAR grant to Uganda was often referred to by various interviewees as being linked to the country's support for the invasion of Iraq by the US Government.

Further, some respondents noted that aid was driven by the commercial interests of those countries that have, for example, a big pharmaceutical sector and those that employ aid as a mechanism to promote employment for their own country experts. For

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[89] Two million people on treatment, seven million infections averted and ten million people cared for, including orphans and vulnerable children.

example, a key informant (KI – 3, other) said, "*it is about how much they themselves can get out of it*".

As observed during field work, various donors had been supporting the capacity of the MoH through the provision of short- and long-term technical assistants. For instance, DFID, Danida, Sida and, on a smaller scale, Italian Cooperation funded international advisors who were based within the MoH. While on the one hand there is the argument that donors 'use' aid to the benefit of their country experts, on the other hand there is still a lack of skilled human resource capacity in various departments in the MoH as senior technical personnel in the Ministry appeared to be considerably over-stretched.

Other political motives reported by a few interviewees included strategic alliances between organisations. For example, in view of its limited resources, WHO attempted to make use of opportunities such as to allocate some funds into an activity or project of another organisation so as to become associated with it. This was said to have taken place in the case of the World Bank MAP project and HIV/AIDS activities.

Further examples of donors pursuing the advancement of domestic interests ranged from externalities to influence over past colonies. In relation to the former, a Government respondent noted, "*they provide aid to control diseases like TB and HIV/AIDS in developing country so that it does not reach their doors*". This could thus be associated with DPs interest in funding (infectious) disease-specific programmes. With respect to the latter, DFID and Italian Cooperation were said to be motivated to provide aid to Uganda due to historical ties: in the case of DFID, because Uganda had been a UK protectorate in the past; and for Italian Cooperation, its aid was linked to the commitment of supporting their missionaries (established in Uganda for a long period). The perception of some Government officials was that donors felt they would like to keep having control over their past colonies, "*they can't just let it go*".

International commitments and a sense of obligation to provide aid, as donors are under peer pressure to do so, appeared to be seen by some interviewees as additional motives. For instance, the target of contributing 0.7% of a donor country's GDP towards development aid was mentioned by some DP representatives.

A distinction made amongst donor motivations was between 'big and powerful' donor countries and smaller donors. As put by a key informant (KI – 1, Government official):

"*Because they (Scandinavian countries) have smaller countries you find that they don't have big political ambitions against the* [recipient] *nation, you find that their aid tends to try and really fit in the country needs much more than some of the other big countries which have an ego problem*". However, when assessing the responses of individuals from the so-called 'big, powerful' donor countries, the emerging pattern was of strong commitment towards goals such as improving health system performance and reducing poverty. In addition there is also a distinction to be made within the group of 'big, powerful' donor countries. For instance, while USAID goals were more focused on disease-specific programmes, DFID's motives concentrated on health systems improvements and aid harmonisation.

7.3 Revealed motives

In trying to further understand the motives of those involved in the aid contract in Uganda, the behaviours of the parties were contrasted with the claims made in the sections above.

7.3.1 Government motivated towards health system goals?

Various examples are presented below where the behaviour of Government seemed to contrast with the claimed motive of pursuing the further development of the health sector.

There was limited Government commitment towards governance (accountability and transparency), as presented in chapter 6. Illustrations of this included Uganda's ranking in the Transparency International index as one of the most corrupt countries in the world; the decreasing levels of political commitment prior to the 2006 election; the lack of independence of the Inspector General of Government; rumours of corruption problems with procurement in general and with certain projects like the Early Childhood Project; and the health sector budget cut due to increases needed for defence and public administration (election process) expenditures.

There were problems of poor management, lack of transparency in relation to the health sector budget and decreasing commitment within the sector (particularly at the MoH). More specifically, also as presented in chapter 6, there were: problems of accountability with the tracking study of Programme 9; problems / weaknesses with

the budget process and the SWG; and the vague formulation of undertakings plus the failure to achieve them in full on a regular basis.

Further illustrations outlined in chapter 5 concerned the limited commitment towards improving the existing system of performance monitoring: e.g. the performance problems of the RC, the QAD, and the Supervision and Monitoring WG.

An additional example involved Government staff not attending key health planning and review meetings including SWAp-related ones, or attending for reasons other than those intended. Illustrations of this were provided in chapters 5 and 6: representatives of very few technical programmes attending the meetings of the WG on monitoring and supervision during the preparations for HSSP2; and top and senior management in the MoH not participating in JRM district visits. Further, regarding the reason as to why some technical programme staff decided to take part at NHAs and JRMs, this was said to be because:

> *People come to have free lunches and when it does not clash with any consultancy work they are doing* (KI – 3, other).

7.3.2 DPs motivated towards aid effectiveness (aid harmonisation and alignment with a view to contributing to health systems development)?

Similar to the above section where contradictions between claimed motives and the actual behaviour of Government were presented, here a number of examples are provided in relation to the behaviour of DPs vis-à-vis their claimed motives in relation to aid effectiveness (in terms of aid harmonisation and alignment with a view to contributing to health systems development).

<u>Lack of donor expenditure information and unpredictability of aid flows</u>

Government officials continued to struggle when attempting to obtain expenditure information on the contributions of donors within the country. A related problem was the unpredictability of aid flows (both the amount to be released and delays in planned releases) by DPs. These issues hindered more effective coordination, planning and budgeting by the Government. Ultimately this could have an influence on the overall goal of reducing poverty in the country which was one of the claimed motives of DPs.

Problems of transparency with project funding of donors vis-à-vis Government was seen as having improved (KI – 2, Development Partner) but a number of donors still persisted in not declaring their budgets or doing so in an incomplete way. For instance, the MoH, when carrying out a National Health Accounts survey, described the process of obtaining expenditure data from donors as one of the most challenging aspects of the survey (MoH, 2004d). Similarly, when the MoH attempted to carry out a survey on donor expenditure to the health sector, it received information from only 50% of DPs active in the sector (MoH, 2004c)[90]. Various attempts were made by Government officials during the HPAC meetings preceding the AHSPR to get DPs to provide the requested information, but Government information on donor expenditure was still patchy and unreliable (notes from observation of HPAC meetings and KI – 1, Government official).

As for likely reasons as to why DPs seemed to defy requests by the Government to share their expenditure information, a key informant (KI – 1, Government official) said:

> *I think it is a mixture of two things, one is that it's tedious to look up to this kind of information, but I mean they also make us do a few tedious things so it's not a big deal. But possibly it's a matter of hiding information. This second one is just a guess. I think in some cases their expenditure figures are not so good as they would want or they've made us believe. The fact is that donor projects often times or in most cases actually spend much more on things which are not the main focus of HSSP.*

Regarding the problem of unpredictability of aid flows, while bilateral and multilateral agreements provide the overall amount DPs intend to provide as aid to the Government, uncertainties in the yearly schedules of donor contributions disrupt the planning and disbursement of budgetary funds by the Government (particularly in the case of general budget support).

> *At the beginning of the year they will tell you we are giving you $100 million but in the year's course, part of it comes, part of it doesn't come at all, part of it comes late, which makes it difficult to plan and execute programs as agreed.*
>
> (Government Official)

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[90] However, the information reported in the AHSPR for Ireland Aid was not accurate. This raised a discussion during the 2004 JRM (notes from observation of meeting) about how donors like Ireland Aid felt it was discouraging to go through the long process of providing detailed information to Government which later was misrepresented in the report.

There was variation among DPs as some were said to prepare agreements with more detailed information and to continue providing updated information on yearly forecasts of disbursements more than others (KI – 1, Government official). Delays in disbursements to Government might have occurred due to administrative problems internal to the development agency (MoFPED, 2003a). Reductions in aid contribution have also been linked to other priorities for the donor country.

> *Uganda is not one of [*our*] priority countries…when for example the war in Iraq happened; we had to follow the American politics and had to take the money from somewhere. So there were budget cuts in our own ex-colonies and other countries which are not so important.* (DP representative)

Political and commercial motives

Examples of political and commercial motives, as presented in section 6.4.1 (chapter 6), include: Uganda's receiving of PEPFAR funding for its support to the invasion of Iraq; the increased UK aid budget and related incentives to disburse it associated with political pressures in both international and domestic environments around greater commitment to aid and development. The latter was potentially related to the choice of GBS as a preferred aid modality as aid would be absorbed more easily given scope for less transaction costs for donors (e.g. no need of a project management unit) and not just for recipient governments.

A further example referred to the US Government pursuing commercial interests and SWAp/GBS donors allowing Government budget funds to be potentially used in a less efficient and transparent way. The April 2004 HPAC meeting discussed the TORs for a consultancy on how to improve Information, Communication and Technology (ICT), which should include disease surveillance, continuing education, and tele-medicine. A number of companies or institutions had expressed interest in supporting the development of the new system. These were: Rocky Mountain Technology Group (an American company), Gates Foundation, and Johns Hopkins (notes from HPAC meeting, April 2004). Some DPs suggested the MoH might want to consider two institutions that would provide advice and support free of charge: ePollNet (part of the UN system), and the International Institute for Communication and Development which was funded by various DPs (e.g. DFID, DANIDA, CIDA etc.) (notes from HPAC meeting, April 2004). But it was noted that the office of the Permanent Secretary had already requested the US embassy for support from the Rocky Mountain Technology Group (notes from HPAC meeting, April 2004). This was said during the meeting to

have taken place after high level pressure in the form of various letters from U.S. Congressmen were sent to the office of the Permanent Secretary[91].

The above seemed to highlight SWAp/GBS donors' weak pressure on the US Government as it pursued commercial interests and on the Ugandan Government for accepting a deal that was not in the country's best interests. This begs the question as to why SWAp/GBS donors allowed such a deal, accepting that pooled resources were used this way. This may be because SWAP/GBS donors prioritised their own geopolitical interests and felt they could not put diplomatic pressure on the US government for fear of being confrontational about an issue that could be seen as petty in view of larger interests with the US Government. Another question would be whether the GoU or some individuals in the Government accepted the deal because they would potentially benefit directly from the deal.

Lack of alignment of donor projects towards the country's priorities and policies

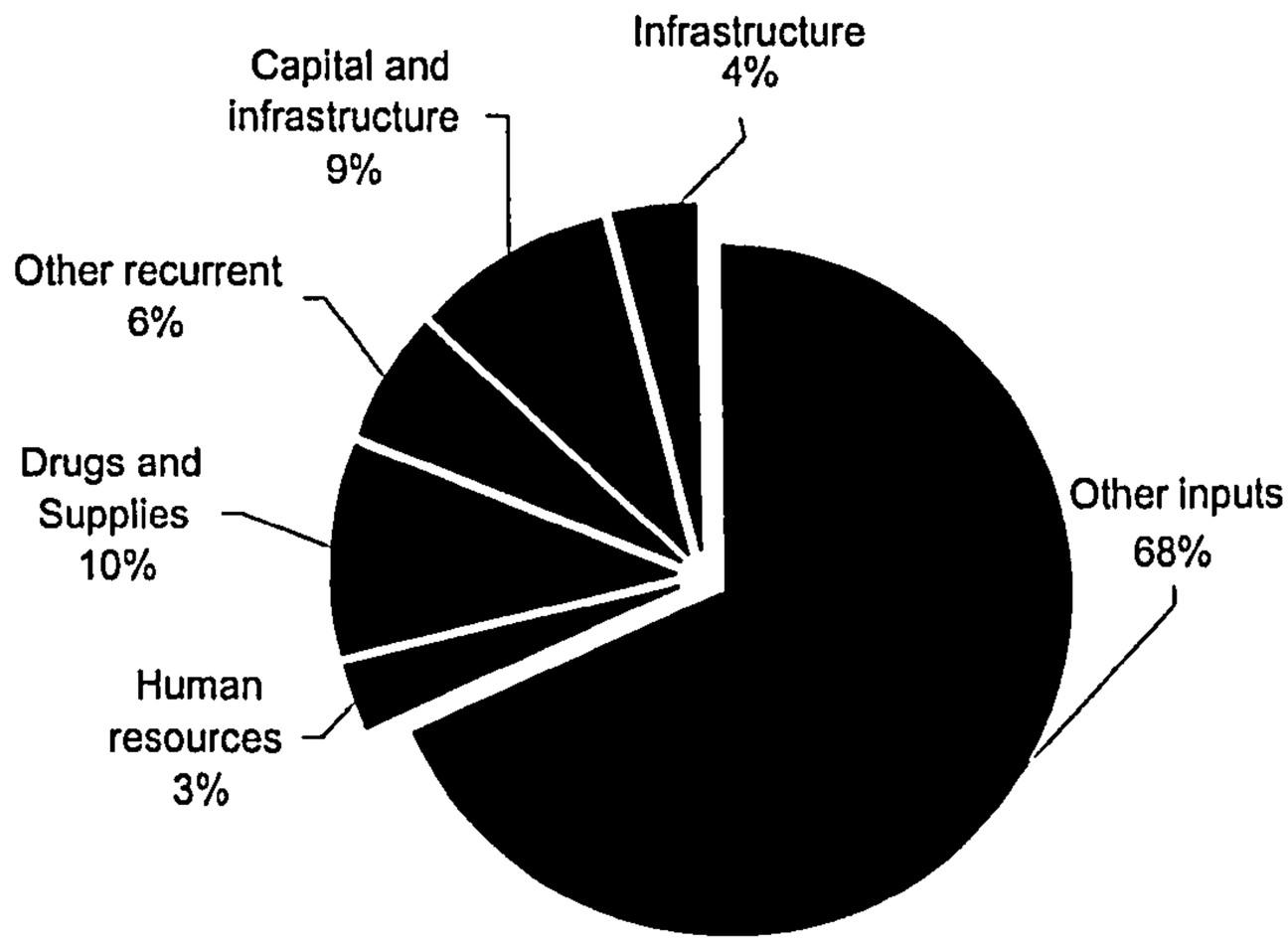
Lack of alignment of donor project expenditures with the national priorities in Uganda was another area where DPs behaviour differed from their claims of contributing towards poverty reduction and long term development of health systems.

For example, data assembled by the MoH on selected projects show that donor projects spend 68% of their resources on budget items that are not directly in line with the priorities of the Strategic Health Plan (MoH, 2003c). Figure 7.1 below gives a breakdown of project expenditure on key inputs for the financing of the HSSP using a sample of donor projects funded by 5 different development partners. Expenditures falling under the categories of infrastructure, drugs and supplies, and human resources were considered by the Government the main expenditures required to fund HSSP. Expenditures falling under the category of other inputs (amounting to the 68% of expenditures mentioned above) comprised mainly project overheads and technical assistance which were not part of the costing groups of HSSP undertaken by the Government (KIs – 1 and 4, Government official and other). In regard to the allocation of funds to technical assistance, it seemed that a number of DPs saw it as necessary while the Government disagreed and saw other elements as more

[91] It is though not very clear whether the contract was awarded to Rocky Mountain Technology Group as no access to such a document was made possible. In searching through the World Wide Web it was found that a US Congressman had links with the Rocky Mountain Technology Group (would like to invite its CEO to explain to other fellow Congressmen how it can contribute to ways of developing public-private partnerships to support the development of ICT in low income countries) (Rehberg, 2006). The Rocky Mountain Technology Group produced software that was to be used by more than 300 Ugandan hospitals and clinics (*ibid.*).

important for funding. On the other hand it appeared that the Government was more willing to accept technical assistance when it was not handling the budget allocated for it. This was said to be the case with a USAID health systems project proposal. The proposal was rejected by the Government on the grounds that the proportion of funds allocated to technical assistance was too high. However, as noted by a DP representative, the Government later made a number of requests for technical assistance support which it was difficult for USAID to respond to in view of the lack of earmarked funds for this.

Figure 7.1: Donor project expenditure break down



Source: Adapted from Figure 3.5 (MoH, 2003c).

Another example is PEPFAR. This project also had activities that were not in line with HSSP, e.g. provision of Anti-Retrovirals which was not part of the basic package as established by the strategic plan (various KIs and notes from observation of meetings). During the 2004 JRM it was mentioned that the targets set by the US Government were not chosen in consultation with local Government partners. These included: 60,000 people on treatment; 165,000 infections averted; 300,000 HIV infected and orphans receiving care (notes from presentation to update on PEPFAR for HDPGroup May 2004). In addition, in contrast to the proviso in the MoU between Uganda and Health Development Partners that "*as provided in the Constitution of Uganda, ensure that other marginalized groups of society such as the poor, the displaced and the disabled are specifically addressed*" (GoU, 2000), PEPFAR presentations (notes from observation of meetings) did not seem to outline a clear strategy on how it would reach these particular groups. It did not explicitly mention a focus on the poor, only on orphans. A common critique made in various meetings of health sector stakeholders (notes from observation of these meetings) was that the

agencies implementing PEPFAR projects were reaching their targets by focusing on 'easy to reach' population groups such as health workers, teachers, police officers in large urban areas as opposed to the poor and vulnerable in rural parts of the country. Yet, donors like DFID, which often emphasise in their policy documents and strategies the need to prioritise the poor and vulnerable (DFID, 1997; 2000; 2006), did not tend to add any points to such discussions. It also tended to be the case, that Ugandan participants were the ones raising the problem.

Some of the key problems highlighted in relation to the GFATM and other GHIs in Uganda, as per discussions of the health systems WG[92] during the 2004 JRM (notes from observation of this meeting) for example, included how they were outside the SWAp framework through:

a) The creation of parallel systems of management as opposed to having the funds integrated into the SWAp (earmarked within the health sector budget), thus the GFATM in Uganda opted for a separate project management unit. They also created their own monitoring tools instead of using the JRMs. In addition, they used a parallel system for procurement, although the GFATM guidelines had provision for the use of a common working arrangement.

b) Conditionalities of additionality. The GFATM funds were considered as additional to the existing resources in the sector, but this was against the MoFPED policy of macroeconomic budget ceilings and project funding falling within the established ceilings.

Large-scale donor projects and/or GHIs were also subject to criticisms because of their detrimental effects on the health system, particularly with respect to human resources (which constituted one of the key goals for improvement by the Government). Often mentioned (by various KIs and government officials) were problems related to the higher salaries they offer for staff joining their projects. There was also the availability of equipment and vehicles as well as per diems which acted as perks to attract staff within Government. The pressure exercised on Government units/staff by DPs was reported to be higher towards the end of the year as donors needed to disburse their allocated budgets.

> *Donors override partnership principles, they go behind doors and approach units and divisions for project aid, lure government units with perks as computers, TA, vehicles, specially at the end of financial year, when they are under pressure to disburse their yearly budgets.* (Government official)

[92] Members included Director General, Director of Health Services Planning, SIDA, DANIDA, and DFID.

GHIs seemed to have affected not only Government units directly but also other organisations within the sector. The PNFP sector (which receives financial subsidy and seconded health workers from the Government) appeared to be undermined as its best qualified human resources were leaving to join recipients of PEPFAR funds like TASO and Mildmay (notes of HPAC and JRM meetings). For instance, TASO received 300 applications for clinical positions advertised. Salaries paid by TASO were reported to be 3 times that paid by the PNFP (notes of donor coordination meeting at TASO). The view of TASO and UPHOLD (another recipient of PEPFAR funds) was that:

> *We are not poaching staff; applicants are not from Government units. But on the other hand, it's a free world.* (Taso Representative)

7.4 Inter- and intra-organisational conflicting objective functions

In this section, I analyse conflicting objective functions between the parties. These are additional to the differences in motives claimed versus those revealed which were presented in the first part of the chapter. The discrepancies in objective functions were not only taking place between organisations but also within Government and DP agencies. While there should be a certain level of alignment between the objective functions of individuals with the goals of the organisation they belong to, different people within organisations are also likely to be more strongly motivated by different things creating intra-organisational conflicting objective functions. This will ultimately affect the way the parties interact and influence the outcome of desired policy goals. The section also covers difficulties in relation to dealing with such conflicting objective functions.

In addition to the problems of conflicting objective functions between Government and donors, the lack of alignment of donors with the sector plans generated disagreements within Government. A key informant (KI – 2, DP representative) pointed out that in a conflict between a DP and the Government, the latter is not a single entity. It is formed by various parts and individuals, with different interests and holding differing powers. For instance, in the case of PEPFAR:

> *If the president has said yes, then* [a senior health sector official] *saying hang on, not like that, isn't going to get us anywhere, he can't even be confident that his ministers are saying the same thing as him.* (KI – 2, DP representative)

Illustrative of the problems of differing motives within Government and between Government and different DPs was the case of applications to the GFATM round four. The Government was criticised by some donors (those providing GBS and sector support) for applying to the GFATM, yet when donors were consulted by the Government on whether the MoH should apply at the time of round four (notes from HPAC meeting, January 2004), there was general agreement. This also begged the question as to the extent of commitment from Government officials (within the MoH) involved in the application processes towards their own Government policies and principles, given the rule by the MoFPED that new project funding would be offset from GBS thus not leading to *de facto* increased overall funding for the sector.

It was at times argued (by some KIs – 3 and 5, others) that the technical programmes were the ones seeking or accepting project funding (including from the GFATM), but the lack of adherence towards the use of the budget system was also claimed to be no longer uniform among top management and commissioners. One key informant (KI – 1, Government official) said: *some of the new people seem not to value the partnership to the same extent, like the likely successor* (to a senior health sector official). The support basis for the SWAp principles and structures was said to be very narrow – essentially two senior officials at the top level and some technical staff were reported to remain committed (KI – 5, other). But even those officials' commitment was not consistent as shown by the decision of the MoH to apply to all rounds of funding of the GFATM.

Another potential explanation was that instead of a commitment problem on the side of senior health sector officials, they might have been under political pressure exercised at a higher level which would be in line with the goals being pursued by the technical programmes. Within the structure of the MoH in Uganda there were two directorates, and the technical programmes fell under the Directorate of Clinical and Community Services. The other Directorate - of Planning and Development - was in charge of coordinating cross-cutting inputs and balancing out all the requirements. The Directorate of Clinical and Community Services was said to follow a more vertical, disease-specific approach, often preferring the project mode (KI – 5, other). Consequently, there had been some level of tension between the two directorates. While at various points the top leadership within the MoH was said to have managed to balance the conflicts, this started to weaken in the face of political interference from

above. Furthermore, it was suggested that the political interference was linked to pressure exercised by the Global Fund outside Uganda (KI – 5, other).

Another example reinforces the above problem of internal political pressures put on the top leadership of the MoH. In the SWG the alignment of technical level demands with the internal political level and the external agency led to non-priority projects being approved. This was said to be case with the ORET Dutch project which was a proposal to buy single-sourced imaging equipment (KI – 1, Government official). The technical level was interested in the project and made internal demands through top management, while concomitantly the donor agency (in this case the Dutch Government) applied pressure at the political level outside the MoH which then demanded the internal structures of the Ministry to approve the project.

A further conflict of objective functions within Government and between Government and DPs referred to the health sector budget cuts (due to increases in the budgets of defence and public administration). This was a priority for some parts of Government but the MoH did not agree with it. However, as discussed in chapter 6, the MoH at the time did not appear to be very engaged in trying to restore the sector budget. Yet, the MoFPED appeared to be put under considerable pressure from numerous sides (as various interests were at play[93]). These included also the political forces pushing for the increases in expenditures for defence and public administration.

> *They* [MoFPED] *are in a very difficult position subject to political masters. There are many vested interests and those interests have power.* (KI – 1, Government official)

Concerning the goals of the MoFPED, while some goals of the Ministry were in line with those of the Government as a whole, such as poverty reduction and economic development, some were specific to their mandate and particular motivations. For instance, the macroeconomic stability of the country and control of resources was perceived by a number of interviewees as being among the prime objectives of the MoFPED. The resulting conflicting objective functions within Government as well as between Government and DPs seemed to hinder further rewards in the form of increased volumes of aid for the health sector, as noted in chapter 5.

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[93] For example, the various sectors lobbying for increases of their share of the budget; DPs supporting sectoral allocations – particularly the poverty alleviating budget lines; and the MoFPED itself also driven by the goal of keeping the budget within the limits of revenues.

Overall the various stakeholders agreed that improved sectoral outputs and macroeconomic stability should be Government goals. However, as noted by a key informant (KI – 5, other), "*the Ministry of Finance and the Ministry of Health have ultimately the same interests but they put emphasis on different things*".

Health sector stakeholders argued with the MoFPED that producing more outputs would require greater investment in the sector, thus an augmentation of its budget.

> *The Ministry of Finance wants the Ministry of Health to improve its indicators, to go to scale, but does not increase the health sector's resource envelope to match the scaling up, their goal is the macroeconomic stability.* (Government official/ MoH)

Difficulties in dealing with conflicting objective functions

There was a lack of authority and stewardship within Government (in particular at the higher echelons) towards technical programmes in delivering the UMHCP and adhering to the SWAp framework (notes from observations of meetings and KIs – 3 and 5, others). This was likely related to the problems noted above of external pressure exerted by development agencies at the political level and towards Government technical programmes (attracted by the power of project perks) combined with the perceived low level of commitment by top management (including commissioners)[94]. Hence some Government officials noted the need for wider internalization and ownership towards SWAp by DPs and other Government officials as a shared goal. These points are illustrated in this quote:

> *If top management was seriously committed, projects would be refused, like with the previous group in power who had a vision for the sector. Like, for example, this project of MAP (World Bank). Our minister had refused it; he said if we agree to have all the planning through the SWAP process why are you now bringing the project again, but because it had been discussed before he came, he said ok let's leave it to go ahead but in future no more projects and we had succeeded. But when management changed, we had some loopholes...some development partners were interested in projects so when they have that small loophole in the ministry they take advantage of it. So the only way forward is to have a serious top management who can say no.* (Government official)

[94] This cadre was seen to be detached from the routine management of the technical programmes, lacking knowledge of their activities and not showing ownership towards them (KIs).

Internalization and ownership towards the SWAp within Government seemed to have been one of the goals achieved by the previous leadership in the MoH. The previous minister (at the time of fieldwork) was said to have been able to motivate staff in the health sector towards Government goals as embodied in his vision, authority and charisma as a political leader.

> *He was really engaged with the sector and he would get everybody* [to] *line up in one direction.* (Government official)

> *I have seen people listening to* [the previous minister and some other senior health sector official's] *ideas about health sector reforms until 9 o'clock at night.* (KI – 2, DP representative)

However, besides the problem of relying on key individuals (as opposed to strong institutions) who can play a major role in aligning motives within Government, changes in the motivations of donors have also played a role in regard to difficulties in aligning the goals of Government with those of development partners. The SWAp appeared to be a major objective of a larger number of development agencies during its introduction and first years of implementation in Uganda (between 2000 and 2002/03).

> *The range of individuals motivated by the SWAp made the realisation of the SWAp benefits easier...which was strengthened by the continuity of committed individuals in key donor agencies and posts...* (KI – 4, other)

This cohesion subsided towards 2003 onwards with the introduction of the large GHIs (e.g. PEPFAR and GFATM) which were more strongly driven by disease-specific goals.

> *In 2001 the overall balance was towards integration and coordination and 2 years further down the road and the arrival of alternatives in the form of the Global Fund and other projects has actually deepened the conflict and thrown that balance off... individuals have advantages and benefits to gain from that... people had learned something* [to work in an integrated, coordinated mode] *but ....now global funds deepen that* [the conflicts] *because they bring in so many possibilities.* (KI – 5, other)

7.5 Summary of findings

The findings in this chapter demonstrate that objective functions of individuals and organisations contained a range of arguments.

At the individual level, Government officials stated that they were to a large extent driven by the willingness to: Contribute to health systems development (health sector reforms, SWAp, improving quality of care, and supporting districts); Be involved in successful reforms and or projects/outputs as these would be linked to greater visibility for Uganda – this was also associated with their contribution towards these successes being valued/recognised (possibility of career advancement: e.g. international jobs); and have greater control over project resources which enabled the implementation of activities and facilitated their work.

As for development partner representatives, they claimed that their key motivations were to: Contribute towards development and poverty reduction; Contribute to improvements in the sector in line with Government plans; Be involved in specific areas such as HIV/AIDS and reproductive health; Take initiatives and have control over aid, and have their role recognised; Have influence over policy and changes/reforms; and Be involved in donor coordination and improvements in the relationship.

Besides the motives of individuals, I also investigated individual's career objectives as proxies of their objective functions. I found that as part of the career objectives of individual Government officials, they wanted to continue to work for the Government at national level and contribute towards the country's development. Others preferred to seek a career within an international organisation. Some others intended to combine both objectives, continue to work for the Government but in the future to work internationally.

The career objectives of individual DP representatives concentrated on continuing to work in development aid; to gain further experience in different countries (learn different cultures and languages); to move from working in technical areas to health systems; and to progress in their careers (be promoted to post like directors etc.).

The organisational goals of the agent (Government), included: poverty alleviation, development of sector (in terms of improved performance and quality of service delivery), reduction of morbidity and mortality; Aid as a means to close the Government's funding gap to achieve the above goals; the improvement of health

systems performance using SWAp to make aid more efficient (e.g. reducing transaction costs) and more effective (increasing transparency and developing further donor coordination and alignment towards the country's priorities, i.e. Government having greater control and ownership); and improvements in the area of human resources.

To a certain extent principals (DP organisations) had similar goals to those of the agent, as poverty alleviation, economic development and humanitarian aid; long-term development of health systems and improvement of health outcomes. However, the goals of all DPs were not always aligned to each other. While some were more interested in health systems and aid harmonisation, others had a stronger interest in disease-specific goals. The goals of some DPs also differed from those of the agent (the Government). These geopolitical / commercial goals (e.g. support for Iraq war through PEPFAR as a reward for Uganda's support; means to provide employment for their own country experts; externalities: control of infectious diseases; influence over past colonies; international commitments).

When comparing motives as claimed by interviewees with those revealed through the observation of the behaviours of principals and the agent at the organisational level, I found that there was a less clear commitment / drive towards (a) health systems development by the agent, and (b) aid effectiveness (as translated by sector development and aid harmonisation) by principals, than asserted by the parties in the interviews.

More specifically, instances of Government behaviour denoting divergence from their claims include: Limited level of commitment towards accountability and transparency (outside the health sector) (e.g. lack of independence of the Inspector General of Government and budget increases for defence expenditures); and problems of transparency, poor management and decreasing commitment within the sector (MoH) (e.g. problems in relation to the budget process and tracking study of Programme 9).

As for DPs, examples of actions that contrasted with their stated goals were: Lack of donor expenditure information and unpredictability of aid flows; Pursuit of political and commercial goals (not being contested by donors that provide GBS/sector support and did not contest the use of Government budget funds being used to advance commercial interests of other donors); Lack of alignment of donor projects towards the country's priorities and policies.

Agency theory presumes motives to be single dimensional allowing incentives to be centred on financial rewards for example. However as the findings in this chapter showed, in the aid environment motives are multidimensional and at times conflicting within organizations which makes agency relationships not well defined.

More specific examples of inter- and intra-organisational conflicting goals included: Between the MoH and MoFPED on increases of the health sector budget hindered by the macroeconomic ceilings (including conflicts with donors as well); and within the health sector in relation to GHIs [e.g. PEPFAR funds being negotiated at higher levels of Government, application to various rounds of the GFATM suggesting lack of commitment by Government officials involved in the process, and/or political pressure (by donors and by interested technical programmes) being exercised at a higher level].

The analysis in this chapter also showed that there were considerable difficulties in dealing with conflicting objective functions, these involved problems related to:

- The lack of authority and stewardship at a high Government level towards technical programmes in ensuring adherence to Government priority goals and the SWAp framework, and counterbalancing the problems of political pressure and low levels of commitment towards the sectors' goals;
- Reliance on key individuals within Government with leadership, vision and charisma as opposed to a strong institutional environment to align motives;
- Changes in the motivations of donors:
    - A less coherent group of individuals and agencies were pursuing the SWAp and GBS agenda with the introduction of the large GHIs towards 2003 onwards (with a stronger drive towards disease-specific goals).

This multiplicity of objectives, often conflicting ones, created substantial problems for the understanding and prediction of the incentive structure operating within the different organisations in the aid environment.

Chapter 8: Discussion

8.1 Introduction

The overall aim of this study was to better understand the (contractual) relationship between the recipient government - of Uganda - and development partners. More specifically the study sought to shed light on how the relationship between the parties was affected by the introduction of new modes of development assistance (SWAp and GBS). It did so by assessing these new aid modalities in relation to the motives of individuals and organisations involved in the aid contract; the incentive environment; monitoring structures; and the compensation scheme.

In addition, the study aimed to assess the applicability of agency theory when applied to understand the aid environment. It was considered that by probing the nature of agency relationships in the Ugandan context, this would offer a means to better understand how new aid modalities changed underlying processes and shed light into behaviours observed. This chapter will provide some further analysis and discussion of the research findings and will throw some light on the extent to which the above aims have been achieved.

The following section of this chapter discusses the main findings in the light of applicable agency theory concepts. Next is a reflection in relation to: agency theory as a conceptual framework in elucidating the behaviours observed in the Ugandan context; and the study's design and methodological approach.

8.2 Agency theory as a conceptual lens for this research

Agency theory was helpful in elucidating various dimensions of this research. These were the incentive structure and observed behaviours, in terms of:

- The monitoring environment (problems of information asymmetries and information problems such as moral hazard/hidden action and effort);
- The compensation scheme (the problem of a distorted penalties and rewards system); and

- The motives of the parties and related conflicting objective functions embedded in the aid contract, both individually and from an organisational point of view.

8.2.1 Monitoring: information asymmetry, moral hazard, risk and uncertainty

Information asymmetries and moral hazard

The weaknesses of the M&E structures and processes reviewed (e.g. lack of human resources and lack of support to districts in relation to data analysis) as well as the shortcomings of the JRM process (the ways performance could be covered up in the reporting of undertakings, poor district visits system, and the lack of effective validation and verification systems) contributed to information asymmetries in the aid contract.

The context in Uganda was such that principals (DPs) were able to observe to a certain extent actions, outcomes and effort of the agent, although effort of the agent was often a more difficult dimension to monitor. As put by Arrow (1985), effort of an agent is the most typical hidden action. An example was the lack of effort by the Government in relation to improving the monitoring structures/units within the MoH, as presented for instance in relation to the problems of the RC and the QAD. Government's lack of commitment seemed to be associated with the poor performance of these units. The lack of regular reporting by these different structures/units of the MoH (e.g. of the PHC Conditional Grants and quarterly reports) to the SWAp mechanisms (e.g. HPAC) highlighted the variation in the extent to which the necessary information on performance was being provided and the true information was being revealed by the agent (Government).

Donors, the principals in this case, did not put pressure on Government to reveal information – although they asked for reports (through HPAC), they did not penalise Government for not presenting these. Hence, the agent lacked incentives to perform according to expectations.

Why there was failure to monitor

The above begs the question as to why the Government was not improving M&E structures so that better information on performance could be revealed and

information asymmetries could be reduced. In addition it is also questionable as to why DPs as principals were not putting pressure on the Government so that poor performance of M&E could be exposed, particularly as M&E appeared to be getting worse (as exemplified by the problems towards 2003/2004).

Government and DPs behaviours might have been related to:

- The possibility that Government, by maintaining inefficiencies / weaknesses in the way M&E structures/units operated (e.g. RC and QAD department, Monitoring and Supervision WG), was deliberately attempting to cover up misconduct; or to use Williamson's terminology, the agent might have pursued its own interests and behaved with guile (Williamson, 1985).This is evidenced by the problems detected through the tracking study of Programme 9 that had not been exposed by the existing M&E system. When these problems were uncovered through the tracking study, the Government tried to hide the results from health sector stakeholders.

- The fact that GHIs contributed to fragmentation of efforts to strengthen M&E mechanisms and seemed to have increased transaction costs for the Government as staff had to spend more time applying and managing the new funding sources. This is in line with the argument put forward by Lavergne (2002) that the fragmented nature of the delivery of aid through the project approach requires the use of already scarce resources.

- Perverse incentives provided by some donor projects which some Government individuals took advantage of by shirking their duties. For example, some officers in the RH division did not carry out supervision / monitoring visits to districts – they preferred to attend project-funded workshops in districts or do consultancy work. This is not unusual – in The Gambia, training workshops funded by donor projects were used as an opportunity for staff to 'top up' their salaries, with negative effects on the staffing of health facilities (Conn *et al.*, 1996).

- The lack of a clear stake/ interest by any donor or group of donors in improving M&E. For instance, the earlier quote which indicated that donors felt scared by the poor management in the RC and thus backed off from their offer to provide financial support to the Centre suggests that DPs were not strongly committed towards efforts to produce better data. Such behaviour seemed to have contributed to hindering more substantial progress in the area alongside Government's lack of engagement as well.

This is in contrast to improvements seen in drug management. The introduction of the push and pull system and the institutional support for the National Medical Stores (NMS) clearly benefited from the technical and financial support of one particular donor (DANIDA) which had a long-term commitment to the area (Nazerali *et al.*, 2006).

- The lack of pressure from DPs on the Government to reduce information asymmetries, which indicates that by strengthening M&E, more performance problems would be revealed. This would lead to pressures to penalise the agent and could eventually affect the level of funds that donors would disburse, which would not be desirable if they are under pressure to spend. For example, GBS/SWAp donors who supported the creation of PAF, with the specific characteristic of protecting poverty alleviation activities, accepted erratic reporting of expenditures from the PHC Conditional Grants which is part of PAF.

Risks and uncertainties

Monitoring problems are exacerbated by risks and uncertainties that permeate the aid contract. Such factors compound the task of how best to determine penalties and rewards. These monitoring problems become more complex in an environment of information asymmetries. Information problems (information asymmetries, risks and uncertainties) may allow the agent to cover up performance problems (McPake *et al.*, 2002), particularly in areas where the effort of the agent is difficult to determine. According to MacDonald (1984), this is the case because the agent has no immediate reason to reveal relevant information about the expected contract's output to the principal, in line with the advancement of the agent's utility function. Producing health outcomes involves supply and demand side issues as well as contextual (including intersectoral) determinants. Illustrative of the above are some of the findings presented in relation to reproductive health / maternal health.

Demand and supply issues may create information asymmetry, as may be the case when the supply side (i.e. action of the agent) is not working – related to health systems constraints. The agent then can hold the demand side or contextual factors (where more risks and uncertainties lie) responsible for the poor performance. An illustration could be that if staff are rude and influence the choice of mothers to deliver in a health facility, the agent could blame the demand side for such problems, e.g. cultural issues that hinder the uptake of maternity services.

The difficulty of how best to design a compensation scheme for the aid contract when the output produced by the agent (here taken as the MoH) is influenced by the agent's action, but not totally determined by it (Arrow, 1985), is illustrated by the intersectoral nature of interventions in the area of maternal health. The performance of other sectors under other line ministries, and also again demand side issues, played a role in the extent to which maternal health outcomes could be achieved.

Further risks and uncertainties that might have impacted on the performance of maternal health outcomes include the contextual factors of poverty, insecurity, but also the political environment (which was going through various changes underlined earlier). In addition, the lack of technical understanding compounded the problem of uncertainty and would require that more research and investigations (Adam and Gunning, 2002) (e.g. tracking studies and improved systems of verifiability) are undertaken to better inform policy. This could throw some light, for example, on the issue of lack of demand for maternal services and potentially reduce uncertainties.

In line with the need to improve verifiability, another possibility for dealing with uncertainty in the aid contract would be to use independent audits or measurement of performance (Adam and Gunning, 2002). This strategy would also help to reduce the agent's scope for data manipulation (Gunning, 2005; Barder and Birdsall, 2006). However, as shown by Starling *et al.* (2001), data can still be manipulated in spite of an audit system put in place by GAVI, as was the case in Tanzania and Mozambique. Also, donors would most likely give precedence to their political and commercial motives before responding effectively to the results of independent audits or evaluation (Martens *et al.*, 2002). Moreover, the experience of aid conditionality has demonstrated the lack of donors credibility when it comes to penalties as they continued to disburse funds in spite of evidence that RGs had not met agreed targets or conditions (Lawson and Booth, 2004; Azfar, 2002).

8.2.2 Compensation scheme: failure to penalise and reward in the context of poor monitoring and reasons for the distorted penalty reward system

Failure by DPs as principals to penalise and reward according to the explicit agreements of the aid contract

The problem of information asymmetries discussed earlier hindered the ability of DPs as principals to assess performance effectively and potentially reward for improvements or penalise for lack of effort or underachievement of agreed targets.

Performance assessment lacked quantitative or more objective measures of progress (as opposed to statements of 'progress satisfactory') which provided the agent with opportunities to avoid effort (e.g. undertakings being made easy to reach / vaguely worded[95]). The ineffectiveness of the performance assessment system, as shown in chapter 6, was further emphasised by the fact that non-achievement of undertakings did not translate into a declaration of unsatisfactory performance. A similar finding was identified in Uganda by Adam and Gunning (2002) during the education sector joint review in April 2001. They noted that because of their need to keep on disbursing funds, donors declared performance as satisfactory despite the failure by the Government to meet crucial undertakings.

Failure by the principals to penalise the Government for poor performance (e.g. concealment of information on the tracking study of Programme 9; production of poor quality reports or erratic reporting; non-achievement of targets) took place in a context where, in spite of information asymmetries, principals were able to observe a range of instances of poor performance (action of the agent and lack of effort). The Ugandan context is particularly interesting because there was a lot of information sharing through the JRMs for example (as they allowed stakeholders to express their voice freely, e.g. at the district visits).

An implication of the lack of penalties being applied by the principals was that the agent lacked incentives to perform better. This is related to the problem of credibility, which donors undermined by not penalising poor performance (Adam and Gunning, 2002). Thus improvements in the area of RH/maternal health, for instance, continued to face a series of constraints. The behaviour of DPs (particularly the SWAp/GBS

[95] Adam and Gunning (2002) also noted the problem of very vague terms being used for outcomes to be achieved as part of the aid contract in Uganda.

donors) in relation to RH suggests that donors were more centred on the discourse of prioritising RH than in translating this into practice. An example was the negotiation between Government and DPs on undertakings for the areas of HIV/AIDS and RH. DPs accepted less ambitious targets for RH when the area was in need of major improvements (given Uganda's poor ranking in regard to MMR even compared to other low income countries). In addition to allowing the Government to get away with an 'easy deal' for RH, DPs did not follow up RH indicators on a systematic basis during JRMs, HPAC and ICCs even though the area was agreed to be a priority.

Though penalties for poor performance of the MoH were not applied (during the time of the field work), there was evidence of penalties being applied due to poor performance in the area of governance, such as Belgium's withdrawal of support due to Uganda's military intervention in the DRC. This penalty was of an implicit nature as the bilateral agreement between the parties was for support within the sector and did not specify penalties related to governance matters.

Penalties for performance problems in the area of governance have generally been a more common response by donors, but penalties related to poor performance in the health sector are rarer, as shown to be the case in Uganda. More recently this has changed somewhat, at least in the case of more explicit aid contracts. Existing evidence includes: the termination by the GFATM of a grant to Burma (Bass, 2005); the withholding of a tranche of budget support funds allocated by the EU (using its graduated system) to Benin (Adam *et al.*, 2004); and the withholding of a part of the performance payment by the Multi-Donor Budget Support Programme to Ghana (ODI, 2007). Nevertheless, as stated earlier, evidence from studies on policy conditionality indicate that in view of pressure on donors to disburse, such policy has not been credible, with aid funds being released despite poor adherence by RGs to the agreed conditions (Azfar, 2002; Lawson and Booth, 2004).

The implicit nature of the aid contract in Uganda underscored the low importance of the health sector compared with areas of greater concern for donors. This was evidenced by the account of a DP representative (reported in chapter 6) that performance in the areas of public expenditure and governance were decisive in the further disbursement of funds by the World Bank (PRSC). Similarly, this problem occurred with other GBS donors - bilateral agencies, like DFID for example; except that they tended to put more emphasis on governance issues rather than public

expenditure which had greater priority for the World Bank. This indicates that GBS as an aid mode may be less beneficial for the health sector.

Similar to the implicit nature of penalties applied to the aid contract, implicit rewards took place for other reasons (e.g. willingness of DPs to be associated with Uganda's reputation as a success story and allegedly for Uganda's support to the US in the war against Iraq) than good performance in the health sector. Implicit rewards resulting in continuous aid disbursement in spite of performance problems has occurred in other settings as well. The drive by donors to sustain the aid 'success story' in Mozambique is reported to have led them to *"turn a blind eye to banking scandals involving members of the ruling elite"* (Hanlon, 2004 cited in de Renzio, 2006).

Explicit rewards to the aid contract in Uganda failed to a large extent as they would have translated into funds being channelled through the Government's preferred mode of assistance – GBS. This took place in the context of intra- and inter-conflicting objective functions between the Government (individuals / technical programmes / MoH x MoFPED) and DPs (GBS / SWAp x Project donors). For example, the internal Government conflict between the MoH and MoFPED in regard to the macroeconomic budgetary ceilings imposed on the MoH impeded further rewards from DPs to the health sector.

<u>Distorted penalty reward system and related reasons</u>

The penalties and rewards system was distorted because the system of performance appraisal was subjective, weak and inefficient. This enabled both parties to shirk their responsibilities, with DPs using Uganda's success story status to further disburse aid funds in spite of evidence of poor performance, and Government behaving opportunistically, avoiding effort and taking advantage of information asymmetries and the donor's distorted system of penalties and rewards.

Further issues associated with the distortion of the penalties and rewards system included:

- Government and development agencies being large bureaucracies which weakened their power over control mechanisms. As argued by Easterly (2002): "*bureaucracy works best where there is high feedback from beneficiaries, high incentives for the bureaucracy to respond to such feedback, easily observable outcomes, high*

profitability that bureaucratic effort will translate into favourable outcomes, and competitive pressure from other bureaucracies and agencies." In Uganda, these large bureaucracies allowed control mechanisms to fail because of ineffective systems of rules and regulations; and the lack of performance enforcement via internal management systems (lack of authority and hierarchy adherence). The failure of SWAp control mechanisms (e.g. HPAC and the SWG) suggests that the simple existence of such structures as a process of the aid contract was not sufficient to improve contractual outcomes; for example, by failing to prevent the applications to the GFATM, or if not completely preventing them, at least, having those funds integrated into the SWAp or GBS (i.e. not having the GFATM funds administered as separate/stand alone projects).

- Perverse incentives / pressures to disburse aid funds when donors were advancing their utility, such as when they exerted political pressure at higher levels of Government to get their projects accepted while also 'luring' the technical side (with project perks to attract them) to wield internal pressure through the Government systems to get the project approved. This was done through the by-passing of the internal hierarchical channels (e.g. directives by Directorate of Planning and Development) and the SWAp structures. This took place in the context of conflicting objective functions between Government and DPs as well as conflicting objective functions within Government (as some individuals responded to the pressure of DPs while others did not and disagreed with the objectives of DPs). This was evidenced by the key informant who reported donors to be approaching the RH division directly and contributing different amounts of funds. However, these were not submitted to the SWG where project funding should have been assessed with regards to efficiency and equity criteria.

- Repetition in the aid contract, which can be characterised by the long-term relationships between Government officials and DPs and can play a role in relation to the failure to penalise by DPs. It is predicted that a contractual relationship over more than one period would potentially lead to more efficient outcomes due to comparison of outputs over time (MacDonald, 1984) – "*assuming that the agent has progressive information on the occurrence of the outcome* [actually information on the state of nature] *so that he can continuously adapt his action (here his effort) in the time interval where the relationship takes place*" (Holmstrom and Milgrom, 1985 cited in Guesnerie, 1990). But it seemed that while long-term relationships between individual DPs and Government officials led to greater information on performance of the sector,

this information appeared not to be used towards penalising the Government. Instead, a certain level of connivance seemed to have been established, where the individual trust that had developed between the individuals served as a hindrance towards exposing poor performance and consequently the application of penalties. This may also be related to the personalities of individuals who might place more value on their relationships with counterparts than on ambitious career goals within their organisations. This might reflect a conflict of interest in individuals in donor agencies – concerned both with the welfare of the recipient country and that of their own employer.

There is scope to interpret the above as collusion and this is a reason given by donor agencies to rotate staff after a period of time in each country. This might, however, be in conflict with another practice by development agencies (presented in chapter 6 as a possibility) where aid officials are rewarded for establishing good relationships with their Government counterparts (Azfar, 2002). The subjective nature of the performance assessment system and other weaknesses and inefficiencies in the penalties and rewards system discussed previously indicate that collusion would be facilitated. While no direct evidence for this was found in relation to individual donor representatives and Government officials, there were indications of corruption with the Early Childhood and Nutrition project from the World Bank. These were not subject to in-depth investigation; instead, the project had the status of being one of the best for that donor in Uganda.

- The Government's ability to draw benefits from a scenario of various donors that do not always cooperate and do not adopt a common penalty / reward system. For instance, when one or just a few donors in isolation withdrew funding (as a penalty for defence expenditure), the Government was able to balance out the shortfall in the budget through use of funding from other donors (that ended up being disbursed later than originally scheduled). The need for greater donor harmonisation outlined above comes across the problem of multiple principals and joint delegation which: *differs rather obviously from simple delegation in that the actions taken by the various principals to motivate the agent may impose externalities on each other* (Seabright, 2002). In this case, externalities were characterised by the opportunity Government had to use funds from other donors (those that did not apply penalties and disburse their funds later than originally scheduled). In this context, incentives for donors to harmonise their aid programmes are weak. Constraints to coordination include: the goal of pursuing their aid programmes as a means to advance their commercial and

political objectives; issues/responses where donors are not in agreement; administrative time and other expenses involved in coordination (Cassen *et al.*, 1984, cited in Seabright, 2002). These constraints seemed to have prevailed in Uganda even though both agent and principals could be better off – avoid transaction costs and yield efficiency gains – if principals opted to accept more common mechanisms, at least from the perspective of donors at country offices (apparently not the case for headquarters where political goals have higher priority).

8.2.3 Motives: Conflicting objective functions and implications for the aid contract

Visibility being associated with short term gains and successes (e.g. HIV/AIDS) instead of long term development of the recipient country's health system

Individuals in DP agencies felt motivated to move to different countries, to learn different cultures. Aligned with the policy of staff rotation in donor agencies (frequent changes of staff from one recipient country to another) (Walt *et al.*, 1999b), this is likely to have resulted in lesser commitment by those individuals towards the long term development of Uganda and a tendency towards a greater focus on short term gains and success stories. This lack of responsibility towards future goals in Uganda associated with individual career goals of promotions within their organisational environment is also related to their interest in having their particular role recognised - hence a focus on programmes of visibility and success stories. In addition, the pursuit of short term and visible achievements may be part of the objectives of donor country Governments since they may be under pressure to demonstrate results to their constituencies. Hence they may prioritise "*visible and uncontroversial forms of assistance with short-run payoffs, like distributing food, rather than those with long-run returns, like institutional reform*" (Azfar, 2002).

While a number of individuals in Government felt motivated to work for their country and wanted to make a contribution to improve the system over the long run, some others, similarly to individual DP representatives, described some of their motivations as related to the rewards they could extract from being associated with successful programmes (e.g. to obtain an international job).

The above may provide a plausible explanation as to why both Government and DPs were more ambitious about HIV/AIDS targets than RH / maternal health ones – the latter being an area more closely dependent on health systems improvements (Graham, 2002) which require longer term developments. For instance, when comparing RH and HIV/AIDS, the latter received large sums of resources through PEPFAR which could not be matched with the projects of a lesser magnitude in RH. As noted earlier, donor funding for HIV/AIDS was likely to be related to DPs' motivation to be associated with Uganda's success story in that area (repeating the quote from a DP representative: *We are doing enough where we can take credit for some of the results as well.*)

<u>Motivated by short term goals and having control – related to preferences towards projects over SWAp/GBS</u>

Related to the above point on visibility and short term gains is the problem of individuals tending to focus on shorter term approaches within the aid contract. This might have led parties to shift to projects like GHIs, demonstrating a lesser commitment towards SWAp as a mode of aid delivery. That vertical projects tend to be more closely related to short term time horizons has been argued previously (Oliveira Cruz *et al.*, 2003); this was reported to be associated with the cycle of Government mandates in donor countries where results from their 'investments' are expected on a time frame of about 4 to 5 years.

In addition, the preference for projects was probably linked to the reported motives of some DP individuals of having control over aid delivered and of taking initiatives. Similarly some Government individuals also felt motivated to have greater control over resources in the form of projects which could be translated into elements that would facilitate their work (e.g. vehicles, support staff, computers etc.).

For instance, in the area of maternal health/RH, DPs like UN agencies were delivering aid through projects that lacked continuity and failed to contribute in an integrated way to strengthening the health system. This may offer some clues as to why outcomes in the area were not improving in Uganda. Lack of continuity and fragmentation has also been a problem in other settings that have used vertical projects to deliver maternal health services (Goodburn and Campbell, 2001). The project approach in Uganda clashed with the Government's attempts to improve maternal health through strengthening the health system as an organisational goal (focusing on EmOC),

because it faced problems of intra-organisational conflicting objective functions. (Some individuals in the area of RH were attracted to project funding and not committed to the Government goal of improving the system, a goal which would involve greater engagement of RH with other parts of the system – aiming at achieving more trained nurses, greater availability of contraceptive drugs in health facilities, hygiene standards in maternity wards improved etc.).

Changes of staff, of objectives functions and move from SWAp towards GHIs

A number of staff both in Government and in DP agencies changed since the introduction of the SWAp in 2000, and with this came some changes in individuals' motivation. It is argued that this may have led to a shift in the overall balance from SWAp to projects, particularly GHIs in the country.

The available evidence indicated that a group at top management level (including the political level of the Ministry) and some technical level staff were perceived to be highly motivated towards the SWAp as a preferred mode of aid delivery/coordination and platform for health sector development. The motivation of these individuals and their alignment with the goals of Government may have been one of the driving forces that allowed the introduction of the SWAp and related reforms in the health sector. Concomitantly there were a number of individuals in some donor agencies whose goals were in line with those of Government and supported the SWAp reforms.

However, later (towards 2002/03) some new DP representatives were more aligned towards large projects that did not conform to the country's key plans (PEAP and HSSP) and policies (Government budget/SWAp). Such lack of alignment of donor projects is a source of common critique of the project mode (Cassels and Janovsky, 1998; Peters and Chao, 1998; Walt *et al.*, 1999b). DPs not directly channelling the bulk of their aid contributions through projects, i.e. the GBS/SWAp donors, accepted the introduction of projects and in some cases supported (financially) GHIs internationally.

Donor agencies international objectives versus country office goals

In spite of the reiterated commitment by DPs internationally of reaching the MDGs [e.g. that the MDGs are an objective being pursued by the US Government with the endorsement of its highest political leadership, i.e. President Bush (Natsios, 2006)],

these goals were part of the stated objectives of *some* development agencies but not the majority of them (as reported in chapter 7). This highlighted the lack of alignment between the organisational goals of donor agencies at headquarters/international level vis-à-vis the goals of their field offices.

The MDGs also appeared not to be directly aligned with national priorities as they were not included among the main goals of Government - although improvements in health outcomes in general were part of the national goals as reported by Government respondents. Various Government interviewees placed more emphasis on further strengthening / development of the health system as a key national goal for the health sector instead of focusing on the MDGs.

Hence as principals, if DPs want to achieve the MDG targets, as they claim internationally to be their intention, and need countries such as Uganda to contribute towards this by incorporating this as a policy outcome of the aid contract, both the country offices of donor agencies and the Government should be motivated towards reaching the MDG targets for Uganda.

8.3 Reflections regarding the study's conceptual framework, design and methodological approach

The first part of this section considers the applicability of using agency theory as an analytical framework to better understand the relationship of the GoU and DPs. Secondly it reflects upon the cross-sectional nature of the study design and the use of observation and interview methods for this investigation.

8.3.1 Applicability of agency theory as an overall analytical framework for the investigation

While agency theory was helpful in elucidating various dimensions of the problem studied, it was limited in its capacity to capture and elucidate some other facets. These elements involved governance problems and a context of complexity in terms of the aid environment (the extent of contract incompleteness and implicitness of the aid contract) which are discussed below.

Prevailing domestic governance problems

Data collection for this study (in 2003/2004) happened at a phase that could be characterised as the tipping point from a more positive to a more negative scenario of political commitment towards accountability and performance of public institutions. This is clearer if analysed now in light of key events that took place in the area of governance. A brief review of such events since the end of field work is provided. It covers changes in the political scenario in relation to the third term and the election process, as well as corruption problems.

The Ugandan constitution foresaw only two consecutive mandates for the president. However, Museveni proposed a change in the constitution to accommodate for a third term. In mid 2005, Parliament approved the amendment to the constitution which led DPs to warn the Government about their concerns over Museveni not being willing to leave power (The Economist, 2005b). Because of the slow progress towards the establishment of multi-party politics in Uganda and the approval of the third term Britain withheld aid in the amount of £5 million (*ibid.*). The relatively small cut (about 10%) vis-à-vis the overall aid budget provided by the UK Government to Uganda seemed to represent a warning sign rather than a penalty which could have had greater impact on the Government's budget.

Museveni won the presidential election in early 2006. However, the main opposition candidate, Kizza Besigye, disputed the election results on the grounds of manipulation of the results and hindrances that impeded voters from casting their ballots - though EU observers did not confirm such problems (BBC News, 2006). The period leading up to the elections, however, was marked by considerable problems. Most importantly, Besigye, who was in exile, was arrested soon after arriving in the country prior to running in the elections. The issue won the international media front pages. The arrest and the governance scenario under which it took place (lack of independence of the judiciary, lack of freedom of association, delays in the process for the political transition) led to aid being cut by £15 million by the UK Government in late 2005 and withdrawal of £5 million until the elections took place (DFID, 2005). This cut was out of a total of £50 million planned support to Uganda (*ibid.*). Other donors that withdrew budget support funds on the grounds of the above concerns included: Netherlands in the amount of £5 million; Norway and Ireland £2 million (The monitor, 2005) and Sweden £4.6 million (BBC News, 2005).

Already prior to the above events, there had been concerns in relation to governance problems (e.g. the lack of independence of the Inspector General of Government and lack of enforcement of requirement for politicians to declare their assets[96]). However, to my knowledge, only one donor decided to cut aid to the Government. This was the case of NORAD, which reduced its contribution to the GoU from NOK 75 million to NOK 50 million[97] for the FY 2005/06 (Gjøs, 2005)

After the elections such governance problems seemed to have persisted, as illustrated by the siege of the High Court by armed security forces sent by the Government in early 2007. In spite of this having taken place for the second time[98], bilateral donors did not express any public or clear discontentment (Daily Monitor, 2007a) or apply any penalties to the Government.

In regard to corruption problems, the GFATM suspended its grants to Uganda due to gross or serious mismanagement undertaken by the Project Management Unit (Daily Monitor, 2007b). This action dated from August 2005 and the suspended grants amounted to US$200 million (IRIN News, 2006a).

The GFATM reinstated the funds later in November 2005 after assurances by the Government that investigation was under way (IRIN News, 2006b). This was done through the appointment by the President, Museveni, of a Commission of Inquiry in September 2005 (The Monitor, 2006).

Because Government was deemed not to have taken sufficient action to deal with the problem during the investigation phase, the GFATM in early 2007 cancelled some of the grants - in the amount of US$16 million for Malaria and Tuberculosis (The New Vision, 2007b). However the cancelled amount represented less than 10% of the total amount initially suspended (US$200 million). This could be interpreted as being yet another warning sign by a donor that did not impact strongly on Government finances.

Albeit late, there was a response by the Government as a result of the investigations led by the Commission of Inquiry. Three former ministers from the MoH were implicated in fraud of the GFATM funds and the President dropped them from Cabinet

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[96] Based on informal discussions with various individuals in the health sector during visit to Uganda in November 2005).
[97] Equivalent to approximately £6.7 million and £4.5 million respectively.
[98] First siege by a military unit to the High Court took place during the arrest of Besigye (BBC News, 2007).

(after the 2006 elections) as demanded by DPs (The New Vision, 2007a). In addition, the Project Management Unit was closed down, some of the resources were refunded, and further investigations were taken up by the Criminal Investigation Department (The New Vision, 2007b).

Additional examples of problems in the area of corruption included:

- In May 2007, the World Bank reduced its support to Uganda via the PRSC from US$150 million to US$125 million due to problems related to the allocation of funds and financial management (higher expenditure on administration than originally allocated thus reducing funds from other budget lines and corruption problems) (IRIN, 2007). Once again, the amount reduced is not likely to have a great effect on the Government budget, thus more a warning than a strong penalty by the World Bank. This could be related to the desire to continue to have a success story: *"The World Bank was confident that Uganda would regain its development momentum and 'claim its rightful place as a high-impact, results-oriented, pro-poor development model'"* (*ibid.*)

- Also in May 2007, three former ministers of health were charged and detained due to alleged misappropriation of funds from GAVI (IRIN, 2007). Misappropriation took place as of 2004 when the funds were transferred to the MoH (The New Vision, 2007c). The charges and arrest resulted from investigations carried out by the Inspector General of Government (*ibid.*).

Political economy and deteriorating health sector performance

The above developments seemed to emphasise the clientelistic nature of the political game that took place in Uganda. Senior individuals in Government were more geared towards the maintenance of power than to aid effectiveness or good governance, particularly after the period of declining popularity of the president. Personal rule[99] and related use of patron-clients relations as means to maintain power are not phenomena unique to Uganda, but rather pervasive in African countries (Jackson and Rosberg, 1998). In Ghana one of the flaws of GBS was its vulnerability towards a political patronage system, considered to be endemic (ODI, 2007).

[99] Defined as: "*a dynamic world of political will and activity that is shaped less by institutions or impersonal social forces than by personal authorities and power*" (Jackson and Rosberg, 1998).

In order to stay in power (third term) as his political clout diminished, Museveni started to buy political support by appointing senior level officials (who supported him) to the MoH and allowing them to take personal advantage of public funds. As noted in chapter 6, this took place with the knowledge and implicit acceptance of DPs (KI – 4, other). The above national level changes seemed to have trickled down the system (to the sector level) as other less senior officers in the Ministry of Health also appeared to have been posted as a means of buying their political support (from the opposition).

These politically motivated appointments to top level posts represented decreased commitment from Government towards performance improvements. This led to increasing levels of demotivation among some technical staff who were more interested in public health goals. Some of those technical staff left the Government, thus further contributing to the deterioration of the performance at sector level.

According to Chabal (1992) political morality is defined as "*the constitution and the judiciary…examining these constitutions and assessing the degree to which the judiciary is structurally independent from the executive are a necessary part of the assessment of the context of political morality in African countries today*". Hence an initial analysis of political morality involves the evaluation of the extent to which a country's political leadership is abiding by the constitution and the judiciary. In Uganda, Museveni changed the constitution and sanctioned a siege of the justice court by a military unit in order to arrest his opponent in the 2006 elections. These actions seemed to be intended for his own benefit and have thus infringed the rule of law and signalled a low level of political morality in the country.

<u>Corruption</u>

Similar to clientelistic practices, corruption is also a common problem in Africa. The key difference between the two is that corruption is illegal (Jackson and Rosberg, 1998). As stated by Hope (2000) in Africa, the "*exercise of state power has led to the supremacy of the state over civil society and, in turn, to the ascendancy of the patrimonial state with its characteristic stranglehold on the economic and political levers of power, through which corruption thrives for it is through this stranglehold that all decision making occurs and patronage is dispensed…in some African countries no distinction is made between public and private interests and government officials simply appropriate state assets.*"

In Uganda, in contrast to the penalties applied by DPs during the time of the field work (as presented in chapter 6), which concentrated on issues of governance, the suspension of funds by the GFATM was related to the performance of the health sector. Although it was more closely linked to problems of corruption in the management of funds, this was likely to have pervaded Government systems. This in turn affected the delivery of the agreed activities within the aid contract.

Given that these problems permeating Government systems were not confined to the GFATM management structure and involved the MoH higher echelons [e.g. interference by high level officials in the recruitment process changing the choice initially proposed by the recruitment company (Daily Monitor, 2007b)], more donors could have responded with penalties as well or requested more in-depth investigations and/or reviews into Government management and financial practices. This applies particularly to GBS/SWAp donors that continued to disburse aid funds through the Government budget although the fiduciary assurances seemed to have slipped, as evidenced by the problems encountered in the GFTAM.

The above poses an interesting discussion over the use of projects and GBS/SWAp, and which mode could be more effective in terms of constraining corrupt practices.

- Under the project approach it may be easier to engage in corrupt practices if one is in charge of a project. There may be greater scope for embezzlement of funds when one is in charge as opposed to through the SWAp/GBS where there are more controls in the system.

- On the other hand, it could be that there are less penalties or no penalties applied through SWAp/GBS for corruption because there are less investigations or audits.

A conclusion that could be drawn is that when Government misbehaves then use of projects would be more effective, as per the examples of the GFATM and GAVI. SWAp may rely to a greater extent on trust between the parties than projects do (Peters and Chao, 1998); this was considered to have been an important element in the effectiveness of the GBS experience in Mozambique (Binker and Sulemane, 2006). However, when trust diminishes, it may be more appropriate for DPs to go back to projects. This was the option adopted around the time of decreasing transparency and the tensions preceding the elections (arrest of Besigye) – the resources from the aid cut to the budget by the UK were diverted to support UN

administered projects operating in the Northern part of Uganda (KIs – 1 and 5, Government official and other).

Accountability mechanisms

The evidence indicates that the media had some role to play (how strong is not clear) in putting pressure on donors to penalise the Government in the case of governance issues - as happened during the election phase with the problems involving the opposition candidate (Besigye). Technical advisors from aid agencies in Uganda had expressed concerns in regard to governance problems (various KIs) and some smaller donors had penalised the Government in view of these issues. However, DFID, a donor providing a large volume of aid, only cut its aid budget after the situation had deteriorated considerably and the issue had gained space in the international media. This underlines the lack of power of advisors within aid agencies (as noted in chapter 6) and the influence the media played in holding the UK Government to account.

This pressure exerted by the media could be argued to have led to more penalties being applied by DPs in comparison to those during the time of field work. This would suggest that DPs behaved more effectively as principals after the study period. However, the reaction of donors tended to be of withdrawing aid but in rather small percentages vis-à-vis the overall amount of their contribution (similar to what was found during the period of field work). In addition, some problems (in the area of governance) prior and subsequent to the elections did not lead to penalties being applied, although there was dissatisfaction within the donor community.

The broken feedback loop (Martens *et al.*, 2002) appeared to have been re-connected to a certain extent. The media acted as substitute for the accountability link in the aid contract as it served as a tool to provide information on performance to the ultimate principals holding the donor government (as an agent) to account. This was not as strong as was needed, however, since aid cuts were 'symbolic'.

Dynamic nature of the domestic governance environment as related to the new aid modalities

Over the implementation period of the SWAp, but particularly up until 2003/04, parties seemed to feel they had more knowledge of the processes and complexities of the

system. However, as discussed earlier, the system can become less transparent: a) as new officials can withhold information and behave opportunistically in spite of processes and mechanisms in place to control performance (the SWG); and b) as the aid contract was embedded in a very dynamic setting of change at the governance level involving the changes of individuals (appointed due to their political alignment) and their motives (which influenced the goals and performance of the organisations they were attached to, e.g. the MoH).

Evidence presented earlier suggests that the early phase of the SWAp and GBS in Uganda benefited from the favourable governance environment (including strong leadership, vision, strategic planning, technical support). Lake and Musumali (1999) suggested that in Zambia the SWAp profited from a similar scenario which included strong political support, clear and shared vision, and strong personalities with leadership skills. The positive governance environment in Uganda appeared to have allowed these new modes of aid to operate more effectively, in terms of increased learning and innovation, and increased efficiency in the way aid was delivered.

There was also evidence of some learning and innovation taking place as a result of the contract. For example, since the start of the SWAp there appeared to have been a better understanding of the way the system operated and which constraints there were. This could be seen through more in-depth knowledge allowed by the early tracking studies and the AHSPRs that had to be available for each JRMs (before there used to be only a statement to parliament on progress of the sector which was considered descriptive and not focused on assessing the performance of the sector as a whole). The SWAp structures and processes seemed to underscore some of the ways to approach the key constraints in the system. For instance, the first tracking study resulted in improved financial flows to districts and HPAC served as a forum for policy dialogue and negotiations on a regular basis.

Similar to the experience of Mozambique where the SWAp is reported to have led to improved sector policy and strategic focus at national level (Martinez, 2006), in Uganda there was greater policy coherence and better plans within the health sector. This allowed stakeholders to share a clearer vision of the sector's needs since the introduction of the SWAp. For example, objectives of the sector were clearer with the introduction of the NHP in 1999 and HSSP in 2000. Undertakings also contributed towards greater clarity of the sector's goals as jointly agreed key actions did not exist before the SWAp. In spite of their vague nature and the fact that some were not

delivered at all, having these undertakings helped to focus stakeholders towards some common activities (as opposed to the phase when there was a greater predominance of projects and the fragmented effect that those projects had particularly at district level).

Perhaps more worrying was the lack of clarity on how to achieve the policies and plans given the various constraints faced throughout the implementation process, although some progress could still be observed in this respect. Illustrative of this were improvements in the supply of drugs (Nazerali *et al.*, 2006) and continuous attempts to coordinate key inputs (e.g. construction of facilities and staffing of facilities) through the JRMs and the integrated planning and disbursement of Government funding. The joint nature of the SWAp discussions and agreements signalled an innovative way to work in partnership with a range of actors not only Government and DPs (e.g. other line ministries and PNFP sector).

There were changes in the budgeting process that appeared to have resulted in some strengthening of it and some efficiency gains. New processes (e.g. Budget Framework Papers, PERs and SWGs) were introduced into the budgeting process. They were reported to have contributed to the alignment of interests of the different groups within Government (various KIs). This, combined with the increased level of funding available through the budget (MoH, 2003c; Ssengooba *et al.*, 2006), decreased the need for programmes to seek project funding, thus contributing towards some improvement in intra-government incentives. Further, as noted in chapter 1, Ssengooba *et al.* (2006) argue that allocative efficiency improved as shown by the shift in the proportion of funds allocated to primary care (from 25% in 1999/90 to 43% in 2002/03) versus the allocation to secondary and tertiary hospital care which were mostly located in urban areas and have a high cost structure (from 44% in 1999/00 to 25% in 2002/03). However, there were the macroeconomic ceilings hindering further efficiency gains and quality of services and more services for the poor. In addition, GHIs acted as to meddle in the existing integrated budgeting processes. Additional problems included:

- Predictability of aid funds to the budget that was still considered a major problem by Government (as presented in chapter 7). On the other hand, Government was somewhat able to offset shortfalls due to aid cuts (applied as penalties) because of funds that came later than originally planned.

- While resources were more fungible with the shift towards GBS, this had its down side as for example when funds for defence and administration increased at the expense of health.

Evidence from a cross-country evaluation exercise showed that GBS contributed to strengthening of budget processes as sector ministries became more involved in budgeting at national level (IDD and Associates, 2006 cited in de Renzio, 2006). In contrast, improved efficiency of public spending did not occur in Tanzania after the introduction of GBS – which was argued to be linked to hindrances at service delivery level not having been tackled (Lawson et al., 2006).

Whether transaction costs had been reduced with the introduction of the SWAp/GBS related structures and process in Uganda is difficult to assess. It seemed to be the case. However, data for this were perhaps not sufficient to make a conclusive statement. What is suggested by this study is that there was still scope to reduce these costs by streamlining and improving the effectiveness of the SWAp structures and processes. For instance, transaction costs could be reduced by making HPAC meetings more strategic (e.g. by improving the quality of the reporting system). Furthermore, using the evidence of WGs which were not operating at optimum level, a potential explanation would be that there were too many SWAp-related structures and processes in place, requiring too much time of existing staff. A reduction in transaction costs would not only benefit Government but also DPs which often had a limited number of staff in charge of health sector issues posted at country level.

The Ugandan inconclusive results in this area mirror those in other settings. Tanzania and Mozambique also show a mixed picture where some transaction costs increased, some decreased and others remained the same (Lawson et al., 2006; Martinez, 2006). Although also inconclusive, there is some evidence from a cross-country study that GBS led to reduced transaction costs in Ghana (ODI, 2007). In contrast, a five-country study commissioned by USAID found that transaction costs increased except when the managerial responsibilities related to GBS were delegated to a multilateral agency (Development Information Services, 2006).

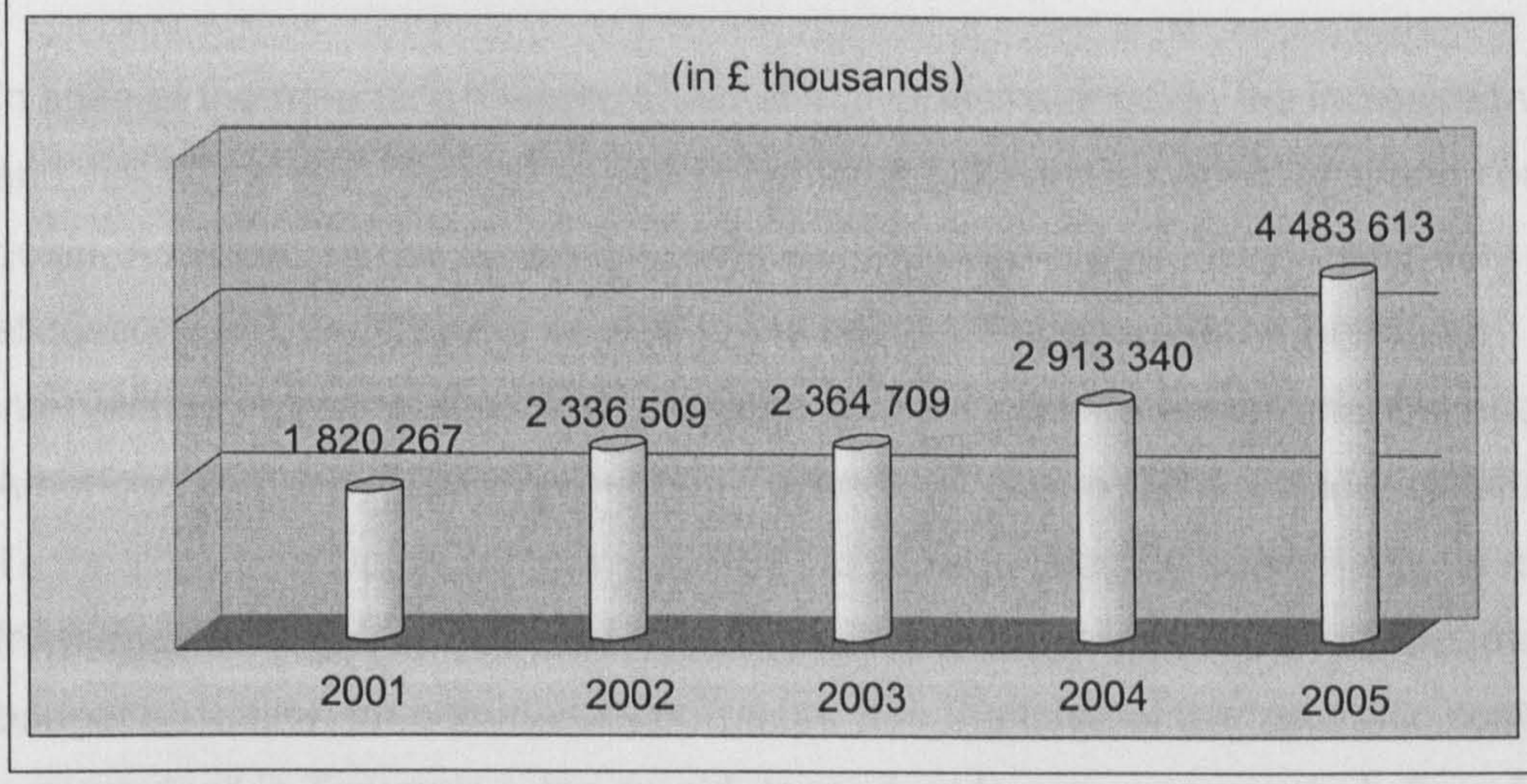
Changes in the international scenario

Evidence presented earlier suggests that the pressure to disburse increased volumes of aid and geopolitical / commercial goals were to a considerable extent driving the

behaviour of donors in the Ugandan context. Others have also underlined the influence of political and strategic motives (e.g. Alesina and Dollar, 2000) and commercial interests (e.g. Hjertholm and White, 2000) in aid allocations. However the pursuit of such goals is clearly at odds with the reported interest in improving aid effectiveness in the international scenario.

The pressure to disburse increased volumes of aid might have led donors to seek new aid modalities to disburse large volumes of aid, as was arguably the case with GBS (de Renzio, 2006). As shown in Figure 8.1, net bilateral Official Development Assistance (ODA) provided by the UK increased 2.5 fold between 2001 and 2005.

Figure 8.1: UK net bilateral ODA (2001-2005)



Source: DFID (2007).

The above time-frame matches the period when various DPs were supporting and leading the way towards SWAp and GBS (late 90s saw the introduction of SWAPs in various countries, including Uganda in 2000). By 2002/03 DFID had disbursed £559 million to a number of countries in Africa and channelled these funds as budget support (DFID, 2004). This modality was established as one of its official policies for aid disbursements in 2004 (*ibid*.).

As noted in chapter 6, the incentive to disburse aid may also be associated with the greater visibility of aid as an issue of public mobilisation and political interest. This is signalled by the recent wave of attention towards Africa, particularly in the UK but also in the G8 countries, as for example: the increased commitments to aid during the 2005 meeting of the G8 Gleneagles; the Live Aid concert in the same year; the creation of the Commission for Africa (2004); the UK Government's general

commitment to Africa notably through Tony Blair and Gordon Brown (The Economist, 2005b).

Related to volume of aid increasing is the further emphasis on the need for improved effectiveness of aid in terms of domestic political accountability. A higher profile of development aid in UK politics [involvement of top political leaders as Tony Blair and Gordon Brown, and the appointment of Hilary Benn, held as '*a next-but-one-party-leader*' (The Economist, 2005b) in place of Clare Short] might have been needed to secure the support of tax payers and NGOs active in the sector and therefore the need to show results / successes. Failure to disburse the increased allocations to development aid could have characterised a political embarrassment for the Government internationally but also vis-à-vis its domestic constituency.

In spite of the mounting rhetoric of aid effectiveness alongside the increased volume and visibility of aid, bilateral agencies continued to pursue geopolitical and commercial goals. As shown in this thesis this included: indications that PEPFAR funding allocations to Uganda were related to the country's support to the American intervention in Iraq; and political pressure on the Ugandan Government to accept an American company (Rocky Mountain Technology Group) as a provider of Information Technology or a Dutch company (ORET) to provide imaging equipment. An example from another country context of donors' political interference in the development aid budget allocation for commercial purposes was the case of the 'air traffic control system deal' in Tanzania (also an aid-dependent low income country). Tony Blair was said to have personally supported the sale of an outdated air traffic control system made in the UK and financed through a British bank (Guardian, 2002).

Hence, a question here is whether channelling greater volumes of aid through multilateral agencies instead of bilateral ones would not be an option to curb the problems outlined above.

In relation to the pressure to disburse aid, it is not clear that multilateral agencies would be advantageous. As shown in chapter 6, both the World Bank and the EU relied on relatively subjective systems of performance appraisal that allowed for funds to be disbursed in spite of performance problems.

The use of multilaterals as an alternative towards depoliticising aid allocations (Martens *et al.*, 2002) may be less the case for the World Bank due to the political

nature of the appointment of its president by the US Government and the fact that the US provides the largest share of funding to the World Bank (Nielson and Tierney, 2003) - which may cascade down the system. But perhaps the EU and the GFATM could be considered as options. Facts in their favour shown in this thesis include the EU's introduction of a more explicit system of performance appraisal and the GFATM's cancellation of some grants to Uganda. The latter, however, as noted earlier, involved only a small percentage of the total grant.

Aid disbursements through multilateral agencies also carry a number of biases. These involve joint delegation which "*may ….result in confusion over objectives, or in agencies pursuing their own interests. For instance, sharing of tasks may generate distortionary incentives and divided loyalties to different principals. Another example is that of a multilateral agency that reports on the 'needs' of beneficiary countries and may have an incentive to exaggerate these needs in order to boost the importance of the agency. Similarly, it may bias reporting on the beneficial impact of aid programmes to justify its activities*" (Martens *et al.*, 2002).

A final point refers to the confusion or the unclear use of the language about what is meant by aid effectiveness. Terms used in the context of this debate have included: performance-based aid, paying for results, ROM, greater use of outcomes measures of performance, and focus on international targets. Often it is not clear what recipient governments are expected to deliver on, e.g. whether greater outputs or improved outcomes. A big leap is involved here as outcomes are far more complex than outputs. While outcomes may refer to a reduction in maternal mortality rates for example, results could mean both decreased maternal mortality rates and DPT3 coverage rates. Time and again it seems the international aid effectiveness debate bring concepts from other areas like education to the health sector (Barder and Birdsall (2006) and overlooks the complexities in achieving improved health outcomes but also outputs. It is perhaps less complex to increase enrolment rates than it is to increase uptake of maternal health services.

<u>Complexities in the aid contract not explained by agency theory</u>

There was a multiplicity of principals and agents which competed among each other and had multiple (and often conflicting) objectives. The multiplicity of objectives of the parties seemed to vary along a continuum between the extreme poles of geopolitical goals at one end and poverty reduction at the other for DPs. And for Government it

seemed to range between political agendas and rent-seeking to health systems' strengthening.

This context of multiple objectives also meant that they were often not clear. For instance, the key objectives of DPs were ambivalent: while the MDGs were part of the aid effectiveness objectives, they did not seem to be a strong goal in Uganda for DPs. Other goals appeared more important such as the political/commercial ones (e.g. Rocky Mountain deal).

It was thus difficult to understand and predict what incentives would work better, since there were multiple incentives operating within this context of multiple objectives within each organisation. This is in line with the finding of another study regarding the multiple and often conflicting nature of objectives within the Ugandan SWAp (Paul, 2007).

Hence, the aid contract seemed to be rooted in a scenario of complexity involving geo-political and commercial interests and domestic governance issues. This was not unique to Uganda – de Renzio (2006) points to the neglect of political economy elements by the donor community when implementing GBS.

While agency theory was a very useful analytical framework, it was limited as it did not allow for a comprehensive mapping and further understanding of the governance environment that emerged as relevant throughout this investigation.

8.3.2 Reflections regarding the study design and methodological approach

Study design

The cross-sectional nature of this study's design might account for a limitation in its ability to allow full understanding of the factors (particularly contextual ones) influencing the relationship of the RG and donors. As noted earlier, more penalties appeared to have been applied by DPs after the end of the field work - even if the amount of aid cut was relatively small in comparison to the overall aid budgets. The higher number of instances of aid being withdrawn could be related to the longer time span after the end of the field work (from mid to end 2004 until early 2007 while the field work was between 2003-04, but the investigation also included to a certain extent

a retrospective account (or 'historical perspective') of some events as reported by interviewees and gathered through documentary analysis dated back to approximately 2000[100]). In addition, it could be argued that the period subsequent to the field work was a time with specific characteristics such as the ones surrounding the elections. Given the political interests involved, it could be that this specific phase might have stirred up governance problems to the forefront of individuals' and Government's agendas affecting the interaction with donors.

The limited access to data in relation to the post-field-work period hindered a more in-depth analysis of the situation in Uganda after 2004. Patton (1999) refers to the limitation of a cross-sectional research design as the temporal sampling problem which results from "*the time periods during which observations took place*". Thus the dynamic nature of the policy environment studied points to the benefits of a more longitudinal approach if resources and the scope of the research project allows (which was not the case for this thesis).

On the other hand, the study benefited from the in-depth approach of a case study design and from the in-country data collection process (including the fact that I lived in Kampala for the largest part of that process). As argued by Martens *et al.* (2002), the study of intra-organisational behaviour of individuals in IDA using an agency framework requires detailed analysis.

Reflexivity

Having lived and worked in Uganda while conducting the field work added evidence to the research that can be seen as informal in regard to how it was generated. Yet these pieces of evidence were based on the fact that living and working in the country allowed me the opportunity to interact formally and informally with a range of stakeholders [ultimately individuals with their own different views and perceptions – and also limits, selectivity and biases (Patton, 1999)]; to gather further insights from their perspectives; to observe and experience how processes operated in various domains (political, administrative, social, and cultural). These have all contributed to shape my own view and perception of the research questions and the related evidence as these emerged throughout the research process. A similar approach has been used by others in the past where interaction with various people responsible for

[100] This historical perspective was adopted as a means to minimise the limitations of the cross-cutting nature of the research and aimed at throwing light onto how and why the new aid mechanisms were introduced and evolved during the period that was reviewed.

health policy implementation and service delivery was part of the data generation process (e.g. Jeppsson, 2004).

A specific example of a piece of evidence generated to some extent through informal methods which affected my judgements refers to the problem of corruption. The sensitive nature of the topic, linked to confidentiality concerns, added to the informality of the circumstances under which people were willing to discuss the topic. A few individuals had no problems in talking about the theme during interviews, but others who mentioned the theme when interviewed asked to for it to be 'off the record' and there were some that only referred to the topic in informal conversations (outside interview setting). In this context, other sources contributed to build evidence in relation to this theme, including my own observations of institutional processes, readings of local media reports, and information exchanged for instance in social gatherings.

Gold's typology of observational methods (1958 cited in Green and Thorogood, 2004) differentiates among four different roles along a continuum as shown in Figure 8.2.

Figure 8.2: Typology of observational methods

Source: adapted from Gold's model (Green and Thorogood, 2004)

Based on this typology I was an "observer as participant" and "participant as observer". As noted in chapter 4, while living in Kampala, I was involved in the production of a book on health systems reforms. The formal meetings and the informal contact with the authors of the book allowed me indirect observations which were additional to the formal ones undertaken (e.g. of JRMs, district visits). During those formal meetings of the health sector as the JRMs, I was a direct observer but mainly a non-participant. During district visits there were some elements of participation, as I asked questions and helped in drafting the report. However, even during these formal meetings, there was a fair amount of informal interactions during breaks where one would discuss issues presented and could have a say on various topics.

My position then changed when meeting with the authors while we prepared the book. I then became an indirect observer of their behaviour and accessed their particular

insights on the health system in Uganda. At the same time I was a participant in the meetings, as one of the authors, and shared my views.

Other more informal observations took place when I was in the MoH. I was present there because I sometimes used their office space (due to power shortages in the IPH), also while waiting to meet individuals for interviews, and I made friends there and used to come to meet them up in their offices before going out. These less structured observations allowed me to have a greater 'feel' for the people's work ethic. I was able to have a better sense of their engagement, their attitude towards performance. The informal interactions led to access to more information, helped in shaping my views on the behaviours, which I could compare and contrast to the different perspectives I was getting from the interviews and formal direct but non-participatory observations of meetings. According to Green and Thorogood (2004), "*long-term participation in the field enables the researcher to capitalize on both distance and familiarity to analyse social behaviour*". My field work experience made me feel as an outsider but one that was granted an insider view without direct participation in the policy making process at the time (apart perhaps from inputs / suggestions during the book meetings and other informal discussions, and it is not clear whether people took them on or not).

Some of the individuals I had more contact with through the book work and other interactions in Uganda became key informants for this research. They represented national level/broad views and at times specific expertise. On the basis of these and their particular position and experience in the sector, I interviewed and consulted them about their knowledge and perceptions. Patton (1999) notes that: "*the danger in cultivating and using key informants is that the researcher comes to rely on them too much and loses sight of the fact that their perspectives are necessarily limited, selective, and biased. Data from informants represent perceptions, not truth.*" I sought other sources of evidence to avoid the problem of relying excessively on key informants and their interpersonal influence, as suggested by Yin (2003). I approached key informants as being conduits of views and spaces that I could then reflect upon by comparing and contrasting them, including vis-à-vis behaviours observed.

The discussion of truth in interviews and observations where what people say does not necessarily correspond to what they think and do (if observed or asked) is reflected in the epistemological divide. The positivist approach stresses, on the one

hand, the ideals of validity and reliability in line with the search for a single truth; and the relativist perspective, on the other hand, emphasises that data from and about human beings inexorably embody differing views as opposed to one absolute truth (Patton, 1999).

This relates to the response and deference effects (from a positivist point of view). In contrast to this positivist approach, the role of subjectivity is to be openly discussed: how context and interactions impacted on the research and the data produced (Green and Thorogood, 2004). As put by Miller and Glassner (1997), "*research cannot provide the mirror reflection of the social world that positivists strive for, but it may provide access to the meanings people attribute to their experiences and social worlds*".

In building on from this idea, the realist perspective would point out that when trying to achieve the truth, outcomes of interest are better interpreted by seeking explanations from "*appropriate ideas and opportunities ('mechanisms')*" and from "*groups in the appropriate social and cultural conditions ('contexts')*" (Pawson and Tilley, 1997). Hence during this investigation, I attempted to further understand the relationship between RGs and DPs by reconciling their accounts; comparing and contrasting those accounts to the behaviours observed; and by considering the overall and complex context within which those relationships were embedded and how the context changed over time. This way I sought explanations of how the interactions between DPs and RGs happened and why those actors behaved as they did, as opposed to finding a causal explanation as a single truth.

A final point refers to the issue of confidentiality. Given the small number of key informants and their expertise in specific areas, when citing them I avoided indicating to which organisational group they belonged (e.g. DPs or Government or if TA/consultant).

Chapter 9: Conclusions, policy implications and future research

9.1 Introduction

This thesis has sought to better understand the relationship between RGs and DPs. Notably, it aimed at assessing how the relationship changed with the introduction of new modes of development assistance (SWAp and GBS) for health in Uganda. This aim was achieved by: exploring the nature of the incentive structure embedded in the aid mechanisms available in Uganda and shedding light on the effectiveness of the monitoring system and the operation of the penalties and rewards system; unveiling the motives of RGs and DPs which helped to understand their behaviours; and analysing the appropriateness of agency theory when applied to understand the aid contract in the health sector.

The specific objectives of this thesis were achieved by:

- Describing the existing monitoring mechanisms and by identifying that in the case of Uganda it focused on inputs, process, outputs rather than on outcomes;

- Examining the effectiveness of the mechanism for monitoring performance and showing the weaknesses of structures and processes in place as well as the shortcomings of the JRM process;

- Highlighting the implications of the monitoring mechanisms for behaviour under the aid contract and revealing problems of information asymmetries and information problems as moral hazard/hidden action and effort;

- Exploring the nature of the compensation scheme (penalty-reward system) adopted under the new aid modalities and identifying it to be a subjective one;

- Assessing how credible the penalties and rewards were from the agents' point of view and how the credibility affected their actions by unveiling the problem of a distorted penalties and rewards system which benefited both DPs and the RG;

- Assessing how the parties understood the nature of the contracts (projects, SWAp, GBS) in terms of objectives or expectations by showing the motives of the parties and

related conflicting objective functions embedded in the aid contract both individually and from an organisational point of view.

Having demonstrated the achievement of the thesis' aims and objectives, the next section of this chapter presents the main conclusions of this investigation. The following section discusses implications for policy and practice of essential issues identified in the thesis. Section four presents the contributions made by this investigation towards knowledge. The final section suggests further areas of research.

9.2 Conclusions of the thesis

From the perspective of principal agency theory

Data collection and analysis improved since the start of HSSP (with the start of SWAp and other reforms) but considerable problems still persisted or in some cases worsened. These problems were likely to be related to the lack of commitment/effort towards improvements from both sides – Government and DPs. Thus, the existing system of monitoring appeared to be constrained in its ability to reveal information on actual performance (i.e. did not reduce information asymmetries) and the weaknesses in the system allowed the agent opportunities to avoid effort or shirk responsibilities.

The fact that the new aid modalities (SWAp/GBS) relied on such a weak Government system of data production and reporting, as well as suffering from a lack of verification systems, constitutes a disadvantage of these aid modalities which constrains improvements in the aid contract and consequently aid effectiveness.

The mechanisms and processes of monitoring focused on inputs-processes-outputs to a greater extent than on outcomes. The weaknesses of the input-output model analysed in this thesis highlight the type of difficulties the international aid community is likely to face in moving towards an outcome-based system of monitoring. Such a system would need to be stronger in providing information to the principal and controlling the scope for the agent to further engage in opportunistic behaviours.

DPs at country level acted as agents of their own country Governments and were under pressure to disburse aid funds. Accordingly, while DPs were able to observe poor performance, they failed in their roles of principals at country level to hold the

recipient government (agent) to account by penalising them. In addition, DPs distorted the penalties and rewards system by 'rewarding' Uganda with funds like PEPFAR in order to be associated with its success, again responding to the pressure to disburse aid. In this context, the Government, which fell short of demonstrating commitment/effort towards improving its performance and enhancing the monitoring system, also lacked incentives from DPs.

Reforms within the aid effectiveness agenda may seek to provide incentives to reconcile the objective functions of principals and agents and the goals of the beneficiary population. A key problem though seemed to be how to provide incentives that would be sufficient in minimising conflicts between the parties and lead to behaviours in this environment that result in a maximisation of aid effectiveness (e.g. improved health outcomes). Underlying this problem was the great complexity which involved contract incompleteness and elements of implicitness in the contractual relationship, more specifically:

- Numerous layers of principal-agent relationships and DPs simultaneously acting as principals and agents;
- Multiplicity of and conflicting objectives and the difficulties to understand and predict incentives;
- Bureaucracy and other problems related to the public sector being a monopoly (lack of competition of agents);
- Weak institutional environment;
- Information asymmetries; and
- Moral hazard.

The principal agent framework was helpful in understanding various dimensions embedded in this research. However, it presented some limitations and was less useful in providing explanations for the politically charged and dynamic setting of a low income country like Uganda. Hence, principal agency as a single conceptual framework is not ideal for understanding the complexities in such contexts.

Outside the principal agent theory

Geopolitical (or strategic) and domestic governance agendas played a role in explaining the way the sector and new aid modalities operated. Available evidence indicated that geopolitics and commercial interests were among the various goals of Development Partners. While it would be expected that DPs would be more focused

on aid effectiveness, the geopolitical goals and the focus on volume of aid (that needed to be disbursed) took priority.

Finally in relation to the study's design, while its cross-cutting nature allowed for an in-depth understanding of a range of dimensions that affected the aid contract, such design made the study prone to the specificities of the time scale it covered. A more longitudinal design would have captured other dimensions that unfolded later in the research and helped to further understand some domestic governance constraints (e.g. the term third issue) to the aid relationship.

9.3 Implications for policy and practice

Evidence from studying the input-based model in Uganda suggests that there is need for considerable improvements of the M&E processes and structures before an outcome-based system is introduced, as the latter may prove to be even more problematic. However, even if further improvements take place, if results are to be attached to aid disbursements based on the opinion of interviewees, these may have to continue to be based on output data (e.g. OPD or CYP) given the time lag needed to measure outcomes and the periodicity of aid disbursements.

The development of a more explicit and rigorous system of performance appraisal on which to base the compensation scheme should be carefully considered. Alternatives in relation to the existing implicit/subjective nature of the performance assessment and control mechanisms are needed. For instance, the performance assessment system could make greater use of more clearly quantifiable undertakings. In addition, the systems of validation and verification would benefit from considerable improvements. These could perhaps minimise the scope for the agent to shirk and for DPs to distort the penalties and rewards system. However, there were attempts to use a more explicit system like the one adopted by the EU or the PRSC WB, and they were still subjective and allowed distortion in view of pressure exercised by the Government or donors. In spite of the possible advantages of a more explicit compensation scheme, the problems of the existing incentive structure and overall governance issues, both domestically (to the RG) and internationally, indicate that it may help in some settings depending on the prevailing scenario but it may not in others.

In this context an option worth contemplation is multilateralism as a means to counterbalance the problems of geopolitical and commercial motives in delivering aid. The EU system, while relatively subjective, still represented an attempt to improve the existing system of performance appraisal through the introduction of the trigger point mechanisms to disburse funds. The GFATM and GAVI were two of the few institutions that penalised the Government due to corruption. These behaviours could be linked to the fact that these multilateral aid organisations are less influenced by geopolitical and commercial interests, as in the case of the bilateral agencies.

Generally, there is need to foster a more favourable domestic governance environment that is rooted in strong ownership and leadership by local politicians, with clear commitment towards improving health sector performance, and not in pursuit of individual goals (maintenance of power or corrupt practices). The challenges towards these goals are many and by no means new to the development community. Yet further efforts should continue to be devoted towards strengthening national and local accountability systems. This should involve: the empowering of the system of representation (e.g. Parliament) to hold Government to account; stronger involvement of Civil Society Organisations in the policy process and monitoring of Government service delivery; and a free press that can also play a role in holding the Government accountable to the country's priorities vis-à-vis the beneficiary population. These interventions could improve the governance environment which could lead to a more conducive environment towards reforms and aid being used more effectively in the health sector – and eventually contribute towards public health goals. Still donors' pressure to disburse may undermine the scope of action of local accountability if civil society lacks power and parliaments are subject to patronage practices. Any concrete and lasting improvements in this area are probably more likely to bear fruit if they result from indigenous forces and are based on a genuine pursuit of greater sovereignty of low income countries.

Equally important is the need to substantially strengthen accountability mechanisms of donor countries (including both bilateral and multilateral). Evidence presented in chapter 8 indicated that the media had some influence in holding donor governments to account. However, there is still need of much stronger mechanisms of accountability of donor behaviour. Particularly important would be to get the ultimate principals (tax payers) more involved. One possible idea would be to enable their participation in some type of policy review board of aid effectiveness at donor country level. A greater engagement of the ultimate principals in the policy process of aid

formulation and delivery could contribute towards a deeper understanding of what it is expected in terms of performance of donor agencies. This could perhaps highlight that the focus of performance should go beyond increasing the amount of aid disbursed to focus instead on how well these funds are contributing to concrete changes in health outcomes in low income countries, for example.

In a future scenario of the world moving more closely towards global governance structures, as opposed to the existing international governance system of today as exemplified by the United Nations[101], the aid system could benefit from an overarching regulatory body. Such a body would enforce sanctions in case of donors' misbehaviour, such as the use of aid as a political or commercial instrument. In the absence of such a regulatory body, current proposals such as the peer review system established by the DAC/OECD could perhaps at least serve to put some pressure on donors. Yet the problem of who would have the power to apply sanctions effectively still remains.

Meanwhile, a more concrete option may be to have greater flexibility in how aid is to be delivered in the context of fast-changing governance contexts. This study showed that aid seemed to be more effective during the early phase of the SWAp (2000-2002) under a favourable governance environment, but less effective later (2003-2004) when other agendas came to the fore as the governance context deteriorated. Hence, where there is a good governance environment and trust, GBS and/or SWAp (which is subject to the problem of collective action) seem to operate better. Where bad governance prevails, projects may offer donors more control over resources and their administration. Thus, GBS/SWAp donors like DFID need to take a more flexible approach towards the way they channel aid. GBS may suit donors that have seen a substantial increase in their allocations as they allow for the disbursement of large volumes of aid to a single entity, thus potentially reducing transaction costs for the donor agency. However, clear strategies need to be put into place for phases when disinvesting from SWAp/GBS towards projects as a more effective way of delivering aid.

Regarding the confused use of the term aid effectiveness and the range of ideas around it, such as paying for results, more clarification is needed, including more careful adaptation towards the specific elements of each sector (e.g. health). Further,

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[101] It is difficult though to glimpse such a world since today's one has been dominated by a few super-powers, often acting unilaterally.

debates such as those centred on the pros and cons of different aid modalities could be taken forward by looking at effectiveness more in terms of the governance environment within which these aid modalities are embedded, and how positively or negatively it is influencing the delivery and overall performance of aid.

9.4 Contribution to knowledge

This thesis has contributed to advance knowledge in a number of ways. It was the first study to provide an analysis of IDAH using agency theory as a conceptual framework. In addition it provided a detailed empirical country-level assessment of the relationship between donors and the Ugandan Government through the lens of the introduction of new aid modalities (GBS and SWAp) which co-existed with projects and GHIs - which came to be implemented later.

More specifically, new knowledge was gained in relation to how these aid modalities were implemented. This included: insights from the perspective of individuals involved in the delivery of aid concerning the risks and uncertainties as to the use of outcomes as a measure of performance of the aid contract; the way penalties and rewards were distorted pointing to related constraints and the underlying incentive structure that led both parties to benefit from the distorted system; and the understanding of objective functions by comparing and contrasting stated motives of individuals and organisations with the observed behaviours of both RG and DPs.

Further contributions to knowledge covered the additional dimensions / themes that emerged through the investigation beyond the conceptual framework. These were: that there is confusion as to who is the principal and who is the agent and while DPs acted as both, the RG did not; the relevance of understanding the domestic governance scenario, the international changing aid environment, and the complex and dynamic nature of aid relationships.

The above elements have contributed to provide a more nuanced picture of the challenges involved in improving aid effectiveness. The complexities related to this environment are often times neglected in the pursuit by the international aid community of simple and quick solutions, as with the recent trend of paying for results.

Finally, in regard to its methodological contribution, this study is one of the few in the health policy literature to adopt a realist perspective as well as a case study approach combined with the analytic narrative in an explicit form.

9.5 Further research

In view of the limitations of agency theory in providing explanations for this study, future research in this area ought to develop analytical frameworks that incorporate other theoretical contributions beyond the agency framework applied in this thesis. Alternative frameworks would perhaps have helped me to capture and explain more fully the shifts in the political and governance environments. Examples of other contributions include: political economy, new institutionalism and complexity theory.

The dynamic environment within which the aid contract is embedded both internationally and domestically means many changes took place after the start of this study. Hence, it would be useful to expand the analysis to shed more light on the governance of the aid contract with a focus on donor countries. This would be particularly interesting given the context of greater attention towards Africa especially in the UK. The analysis would focus on:

- Whether penalties applied are viewed as successes or failures of aid agencies in the eyes of tax payers.
- A further understanding of the motives of aid officials at headquarters / international level, by looking at their career objectives and trajectories.
- An investigation of the role of the media which, as found in this study, appeared to have played some role (not clear how strong) in putting pressure on donors to cut aid in view of governance problems.

Moreover, it is suggested that further analysis takes place in Uganda focusing on the objective functions of the parties regarding individual motives and the role they play in relation to the behaviour of their organisations in view of staff changes (both within Government and DP organisations). A better understanding of the motivations of actors could perhaps help in devising mechanisms to curb some of the perverse incentives in the system.

In relation to both the domestic and international environments for aid, a critical need is to develop the evidence base on mechanisms and processes that play a role in

strengthening accountability mechanisms, and thus contribute towards creating a link between the ultimate tax payers and the beneficiaries of aid.

A comparative analysis with a different country context would help to elucidate the extent to which the results found in Uganda match, or not, other low income country environments / different governance circumstances. More specifically, it would contribute towards: a further understanding as to whether a different recipient government dynamic may change the behaviour of donors (regarding their roles as principals) - e.g. perhaps a recipient country with a government more committed towards health systems goals would put pressure on donors to be more effective principals. Examples of where perhaps the government might be less amenable to let donors do what they want (which however does not necessarily mean they are more committed to public health goals) include Ethiopia and Kenya.

Last, another area that deserves more investigation concerns the scope for multilateral agencies to perform more in line with aid effectiveness goals in the health sector. Agencies that would be particularly worth studying would be the EU and the GFATM which were using more explicit mechanisms and seemed to be applying penalties accordingly at least in some instances, in contrast to others which did not.

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Appendix 1: Methods and techniques according to research objectives and questions

Specific objectives / Key research questions	Methods / techniques / sources
- to describe the existing monitoring mechanisms and how they differ in terms of focus (inputs, process, outputs, outcomes)	- review of project documents, memoranda of understanding, project evaluation reports, annual progress reports, JRMs aid-memoirs, consultants' reports
- to examine the effectiveness of the mechanisms, as understood by the actors, for monitoring performance.	- informal and semi-structured interviews with staff IDPs, MoF and MoH, participant observation and review of diary/field notes
- to examine if since the introduction of the new aid modes, there have been attempts to improve existing mechanisms of accountability, in terms of control of resources (in the form of tracking studies for example) and monitoring of outcomes	- informal and semi-structured interviews with staff from IDPs, MoH and MoF. Review of documents that describe the introduction or reforms of performance assessment tools. If possible, review tools (for example results of surveys)
- to investigate the implications of the different monitoring mechanisms and related focus to the aid contract:	
- the role played by other performance indicators such as input, process and intermediate health outcomes	- informal and semi-structured interviews with staff IDPs, MoF and MoH; review of evaluation and audit documents; analysis of resource allocations and budgetary expenditures; and participant observation
- to what extent final health outcomes are being used in the Ugandan context and related problems	- informal and semi-structured interviews with staff IDPs, MoF and MoH; participant observation - probe analysis involving informal and semi-structured interviews with staff IDPs, MoF and MoH; participant observation; and review of the health sector strategic plan (and other documents setting out performance indicators)
- to investigate the role of trust, in the different aid modalities and monitoring mechanisms and how trust has contributed to change the nature of the relationship between the partners	- informal and semi-structured Interviews with staff from IDPs, MoH and MoF as well as participant observation and review of field notes
- to assess implicit mechanisms by which performance and penalties and rewards could be linked under SWAp or GBS:	- review documents such as IDPs' strategy papers and annual reports and analyse resource allocations and budgetary expenditures to examine possible changes in volume of aid or changes of aid modes
- to consider the more indirect dimensions of penalties and rewards used in the different aid modalities	- informal interviews, participant observation, review of diary / field notes, review of information published in the media; and internal reports
- to explore how credible the penalties and rewards are from the agents' point of view and how the credibility affects their actions (incentives to under-perform)	- informal and semi-structured interviews, participant observation, review of field notes, review and internal reports
- to investigate the extent to which the implicit compensation scheme is used to attempt to manage conflicting objective functions	- informal and semi-structured interviews, participant observation, review of diary / field notes, review of information published in the media, and internal reports
- to assess how the parties understand the nature of the contracts (projects, SWAp, GBS) in terms of objectives or expectations	- informal and semi-structured interviews with staff from MoH, MoF, and IDPs as well as review of documents related to agreements of collaboration between the parties
- to observe conflicting objective functions[102] by identifying tools, rewards, penalties and sanctions that principals use to guide an agent's behaviour:	
- *inter*-organisational (between IDPs and the RG)	- review of policy documents, strategy papers, and interviews with senior staff
- *intra*-organisational (in the RG between the ministries of health and finance)	- interviews with junior staff from MoF and MoH to look at the tools used by higher ranking officials to get what they pursue, as well as review of internal documents (financial reports)

[102] Questions in the interview guide related to this theme were based on questions used previously by Jolly Kamwanga.

Appendix 2: Categories of individuals participating in the various types of meetings observed[103]

[103] This list provides an overview of the categories of participants in the meetings I observed; it does not reflect an accurate account of all participants.

Meetings (frequency they occurred[104])	Gov	DP	Others (civil society, consultants, researchers etc.)
PER (Yearly)	Led by MoFPED with representatives of the various line ministries, members of parliament etc.	DFID, DANIDA, SIDA, DCI, USAID, NORAD, Netherlands, Italian Cooperation, Jica, GTZ, WHO, UNICEF, sometimes UNFPA, UNAIDS, UNDP, World Bank; European Union; ADB	Various NGOs, civil society groups, researchers
PEAP review (Every 3 years)	Led by MoFPED with representatives of the various line ministries, members of parliament, etc.	DFID, DANIDA, SIDA, DCI, USAID, NORAD, Netherlands, Italian Cooperation, Jica, GTZ, WHO, UNICEF, sometimes UNFPA, UNAIDS, UNDP, World Bank; European Union; ADB	Various NGOs, civil society groups, researchers
NHA (Yearly)	Led by MoH (various units from the Ministry would be represented by one or more officials) Health Services Commission, National Drug Authority, National Referral Hospitals, National Medical Stores, Uganda National Health Research Organisation, Uganda AIDS Commission, DDHSs, CAOs and some District Chairpersons, Members of Parliament, other ministries (MoFPED, MoPS, MoLG, MoES, MoWLE)	UN agencies (WHO, UNICEF, UNFPA, UNAIDS); multilaterals (World Bank and European Union); bilaterals (DFID, USAID, DANIDA, SIDA, DCI, Italian Cooperation, Jica, NORAD)	Various NGOs, civil society groups, researchers
JRM (Yearly)	Led by MoH (most units from the Ministry would be represented by one or more officials) Health Services Commission, National Drug Authority, National Referral Hospitals, National Medical Stores, Uganda National Health Research Organisation, Uganda AIDS Commission, DDHSs, some CAOs and District Chairpersons, Members of Parliament, other ministries (MoFPED, MoPS, MoLG, MoES, MoWLE)	UN agencies (WHO, UNICEF, UNFPA, UNAIDS); multilaterals (World Bank, ADB, European Union); bilaterals (DFID, USAID, DANIDA, SIDA, DCI, Italian Cooperation, Jica, GTZ, NORAD)	Various NGOs, civil society groups, Professional Councils, researchers
HPAC (Monthly)	Led by MoH and included the following departments (Directorate Planning and Development, Directora Clinical and Community Services, Resource Centre, Department of Clinical Services, Department of Community Health, Policy Analysis Unit, etc.), and other ministries (MoFPED, MoLG)	- Attendance tended to be: UN agencies (WHO, UNICEF, sometimes UNFPA, UNAIDS); multilaterals (World Bank and European Union); bilaterals (DFID, USAID, DANIDA, SIDA, DCI, Italian Cooperation, Jica)	TAs based at MoH, UCMB, UPMB,UMMB as observers; occasionally some consultants
SWG (Should be monthly)	Led by MoH and included the following departments (PS, Directorate Planning and Development, Directorate Clinical and Comuunity Services, Department of Community Health, Health Services Commission, Mulago and Butabika hospitals) and MoFPED	DFID, USAID, DANIDA, JICA, DCI, WHO, Italian Cooperation, World Bank, European Union	UPMB, UCMB
HDPG (Monthly)		- Open to both GBS/SWAp and Project donors - Attendance tended to be: UN agencies (WHO, UNICEF, sometimes UNFPA, UNAIDS, UNDP); multilaterals (World Bank and European Union); bilaterals (DFID, USAID, DANIDA, SIDA, DCI, Italian Cooperation, Jica)	UCMB as observers

[104] Does not necessarily correspond to the frequency I was able to observe them during the period of fieldwork).

Meetings (frequency they occurred[105])	Gov	DP	Others (civil society, consultants, researchers etc.)
HSSP II Preparatory meeting (Every five years but there were a series of meetings	Led by MoH (Directorate Planning and Development, Directorate Clinical and Community Services, ACP, RHD, MCP, UNEPI, Quality Assurance Department, Resource Centre, etc.) members of WGs, representatives from DDHHs and MoFPED	DFID, USAID, DANIDA, JICA, DCI, WHO, Italian Cooperation, World Bank, European Union	Consultants, TAs based at MoH, NGOs, civil society groups
Annual DDHS meeting	Led by MoH (Directorate Planning and Development, Directorate Clinical and Community Services, etc). DDHSs	Similar to those attending HPAC	Consultants
Stakeholders' meeting on draft AHSPR FY 200/03	Led by MoH (Directorate Planning and Development, Directorate Clinical and Community Services, representatives from WGs and DDHSs)	Similar to those attending HPAC	NGOs
Meeting for the Presentation of Tracking Study on Programme 9	Led by MoH (mainly staff from Directorate Planning and Development)	DIFD, USAID, DANIDA, DCI, Italian Cooperation	Consultants
Project monitoring: Taso (funded by various bilateral and multilateral donors)		DFID, USAID, DANIDA, European Union	TASO
Project monitoring meeting: PHC and Mental health (funded by ADB)	Led by MoH included (mental health department, quality assurance department, health planning department)	ADB	
Project consultation meeting: PEPFAR (funded by US Government)	UAC, MoH (e.g. AIDS Control Programme) other ministries representatives and government officials	Led by the US Embassy; included various other donors	Various NGOs, research institutions

[105] Does not necessarily correspond to the frequency I was able to observe them during the period of fieldwork).

Appendix 3: Interview guide[106]

[106] Please note that most questions were the same to the different group of interviewees. However, some questions were specific as to gather information pertinent to the different categories of interviewees (i.e. if Government, DPs or a key informant).

Government: MoH and MoF

Nature of the relationship

- How do you describe the type of relationship you have with DPs?

Penalty-reward system

- What do you think constitutes poor performance and how do you think would a DP respond in the event of poor performance on the part of the government? (Would there be a series of responses to performance failing below a certain ceiling)?
- How would the government respond to poor performance or behaviour on the part of DPs?
- Call you tell about the main events or main crisis (disagreements) along the relationship between the government and DPs (or if you do not remember just the most recent crisis)?
- How was the crisis dealt with? Was aid suspended or funds delayed?
- Has there been in the past examples of threats of reprimand or sanctions due to poor performance? Have these threats materialised? If not, has this led to a lesser concern for performance?
- Have there been cases of projects or aid not being extended?
- Has any DP pulled out of Uganda temporarily or definitely and why?
- What are the gains for the Government if performance is considered satisfactory or even above the satisfactory level?
- Under what circumstances can the government expect more aid funds? and less?

Types of principal-agent relationships

- Who tends to initiate the relationship under the project /SWAp/GBS modes?
- What do you think is Uganda's comparative advantage in attracting aid vis-à-vis other countries?
- What strategies do you think the government uses to attract aid? (For example, advocacy on scarcity of aid funds in order to attract more aid)
- Do you think the government determines the volume of aid? And the type of support?
- Did you have the experience of a project that you wanted and a DP did not or vice-versa?
- Have you already refused aid from an DP and why?
- In your opinion where the power lies in this relationship?

Objective functions

- What are the goals set by your organisation in respect to the relationship with DPs or what kinds of or what kind of motivations underlies the relationship?
- Can you tell me what do you think are the priorities of the MoH, MoF, DPs and consultants from the point of view of organisations and of individuals?
- How would the MoFPED respond to in the event of poor performance by the MoH?

To senior Staff

- How do you motivate your staff to get them to achieve a certain organisational goal?

- How is poor performance dealt with? And good performance? Or what are the potential gains or losses to staff in case of good or bad performance?

To junior staff

- What are the key motivating elements in your job?
- What are your career objectives (work-related goals)? (Career perspective within your institution and or outside (e.g. private sector, NGO, international organisation)?
- Do you have examples of others in your organisation that have achieved these objectives? If yes, what mechanisms did they use?
- Are these mechanisms available to you? Have you ever used them and what was the outcome?
- Can these career objectives be attained by means of other strategies?
- Which work circumstance would you like to avoid? (Job loss, demotion, on promotions)?
- Do you know of someone in your organisation who has experienced such problems? What did they do to that caused it?

<u>Monitoring/accountability</u>

- Could you please describe the reporting and monitoring mechanisms work in practice (including frequency) for the different aid modes in place (surveys, missions, audits etc.)?
- How effective do you think are the existing monitoring mechanisms / or do you think that they are really able to monitor performance?
- To what extent do you think the right things are being monitored?
- Do you think the monitoring mechanisms used by the different aid modes vary (one being more or less effective than the other) and why?
- In the way the monitoring and evaluation systems are designed, what do you think are the weaknesses in the systems?
- Are resource flows linked to the monitoring systems? If yes, have there been delays in releases of funds because of non-satisfactory performance?
- Where does the focus of monitoring lie, on inputs, process, outputs, and outcomes?
- Does the focus differ in the different aid modes?
- Are performance indicators important in the monitoring process? And what are the associated problems (weaknesses) with using these kinds of indicators?
- Are final outcomes (e.g. maternal mortality or HIV/AIDS incidence) being used for monitoring of performance? If yes, under which aid modes? And what are the related problems?
- Do you see any difficulties with performance related payments in view of risks and uncertainties of producing outcomes or outputs and achieving targets? For instance, is it a problem to not know how much payment exactly will be due in a year's time?
- Which targets are being used? And which ones are considered important by your organisation?
- How important do you think are these targets from your point of view?
- Do you see any problems with the MDGs and PRSPs targets (for HIV/AIDS and maternal health)? (Are in line (or not) with national priorities)?

- Or do you think that they are driving your work (and neglecting other diseases/targets that are not included in the MDGs for example)?
- Do you feel that the Government is committed to monitoring and evaluation? Does it fund research (surveys), audits etc.?
- Have there been attempts to improve existing mechanisms of accountability, in terms of control of resources (e.g. tracking studies) and monitoring of outcomes?
- Do you think these attempts are bearing fruit? If yes, in what terms? If not, what are the constraints or difficulties?

<u>The role of trust</u>

- How do you define the term 'trust'? Would you differentiate it in terms of different kinds? (Such as trust contract trust, competence trust, goodwill-trust, trust in relation to reputation/experience, custom/convention)?
- Do you think there is a role for trust in the relationship between the government and DPs?
- Do you think some mechanisms support or undermine the development of trust between DPs and the government? If yes, which mechanism supports the development of trust? Which one undermines the development of trust? Why? What is it based on? Is it related to the monitoring system used?
- In case of a mode that inspires more trust between the partners, has this contributed to change the relationship? If yes, in what ways?
- In this figure which model do you think characterise the relationship of between the government and DPs? Does it vary according to the different aid modes?

Control-based	Conditionality - based	Dependency	Trust-based

<u>Final question</u>

- Who else do you suggest I should interview? (Other staff in the MoH/MoFPED, programme managers, consultants, NGO representatives etc.)

Development Partners

Existing modes (and volume) of IDAH

- What modes of IDA do you operate in Uganda for the health sector and why were these chosen?
- What is the history (chronology) / key events in time in relation to modes of assistance in Uganda?
- What is the amount of resources you provide to the health sector in Uganda and what has been the trend (increasing or decreasing) in the past five years? And why do you think this is happening?

Duration of 'contracts' (projects, SWAps, GBS)

- How long has your agency been operating in Uganda?
- Has there been any period of discontinuation of the health sector programme? If yes, why?
- What is the duration of the SWAp and GBS (if applicable) agreement?
- What is the average duration of your projects? And are they often renewed or substituted by similar ones?

Reasons for opting for one mode or the other (or along side the other)

- Why has your agency decided to use the project (for example) mode of assistance and not the SWAp or GBS? / or why has your agency decided to use the project mode of assistance along side the SWAp or GBS?

Nature of the contracts (projects, SWAp, GBS)

- How do you describe the type of relationship you have with the Government (under the different aid modes)?

Penalty-reward system

- What do you think constitutes poor performance and how would you / your organisation respond in the event of poor performance on the part of the government? (Would there be a series of responses to performance failing below a certain ceiling)?
- How do you think the government would respond to poor performance or behaviour on the part of DPs?
- Call you tell about the main events or main crisis (disagreements) along the relationship with the government (or if you do not remember just the most recent crisis)?
- How was the crisis dealt with? Was aid suspended or funds delayed?
- Has there been in the past examples of threats of reprimand or sanctions due to poor performance? Have these threats materialised? If not, has this led to a lesser concern for performance?
- Have there been cases of projects or aid not being extended?
- Has you agency pulled out of Uganda temporarily or definitely and why?

- What are the gains for the Government if performance is considered satisfactory or even above the satisfactory level?
- Under what circumstances can the government expect more aid funds? and less?

Types of principal-agent relationships

- Who tends to initiate the relationship under the project /SWAp/GBS modes?
- Do you think your agency determines the volume of aid? And the type of support?
- What do you think is Uganda's comparative advantage in attracting aid vis-à-vis other countries?
- What strategies do you think the government uses to attract aid? (For example, advocacy on scarcity of aid funds in order to attract more aid)
- In your opinion where the power lies in this relationship?

Objective functions

- What are the goals set by your organisation in respect to the relationship with DPs or what kinds of or what kind of motivations underlies the relationship?
- Can you tell me what do you think are the priorities of DPs, MoH, MoF, and consultants from the point of view of organisations and of individuals?

To senior Staff

- How do you motivate your staff to get them to achieve a certain organisational goal?
- How is poor performance dealt with? And good performance? Or what are the potential gains or losses to staff in case of good or bad performance?

To junior staff

- What are the key motivating elements in your job?
- What are your career objectives (work-related goals)? (Career perspective within your institution and or outside (e.g. private sector, NGO, international organisation)?
- Do you have examples of others in your organisation that have achieved these objectives? If yes, what mechanisms did they use?
- Are these mechanisms available to you? Have you ever used them and what was the outcome?
- Can these career objectives be attained by means of other strategies?
- Which work circumstance would you like to avoid? (Job loss, demotion, on promotions)?
- Do you know of someone in your organisation who has experienced such problems? What did they do to that caused it?

Monitoring/accountability

- Could you please describe the reporting and monitoring mechanisms work in practice (including frequency) for the different aid modes in place (surveys, missions, audits etc.)?
- Are resource flows linked to the monitoring systems? If yes, have there been delays in releases of funds because of non-satisfactory performance?

- Where does the focus of monitoring lie, on inputs, process, outputs, and outcomes? And does the focus differ in the different aid modes?
- How do you think the monitoring system in Uganda compare to other countries?
- How effective do you think are the existing monitoring mechanisms / or do you think that they are really able to monitor performance?
- To what extent do you think the right things are being monitored?
- Do you think the monitoring mechanisms used by the different aid modes vary (one being more or less effective than the other) and why?
- In the way the monitoring and evaluation systems are designed, what do you think are the weaknesses in the systems?
- Are performance indicators important in the monitoring process? And what are the associated problems (weaknesses) with using these kinds of indicators?
- Are final outcomes (e.g. maternal mortality or HIV/AIDS incidence) being used for monitoring of performance? If yes, under which aid modes? And what are the related problems?
- Do you see any difficulties with performance related payments in view of risks and uncertainties of producing outcomes or outputs and achieving targets? For instance, is it a problem to not know how much payment exactly will be due in a year's time?
- Which targets are being used? And which ones are considered important by your organisation?
- How important do you think are these targets from your point of view?
- Do you see any problems with the MDGs and PRSPs targets (for HIV/AIDS and maternal health)? (Are in line (or not) with national priorities)?
- What do you think is the level of commitment of the government to monitoring and evaluation? Do they fund research (e.g. surveys), audits, etc.?
- Have there been attempts to improve existing mechanisms of accountability, in terms of control of resources (e.g. tracking studies) and monitoring of outcomes?
- Do you think these attempts are bearing fruit? If yes, in what terms? If not, what are the difficulties or constraints?

<u>The role of trust</u>

- How do you define the term 'trust'? Would you differentiate it in terms of different kinds? (Such as trust contract trust, competence trust, goodwill-trust, trust in relation to reputation/experience, custom/convention)?
- Do you think there is a role for trust in the relationship between the government and DPs?
- Do you think some mechanisms support or undermine the development of trust between DPs and the government? If yes, which mechanism supports the development of trust? Which one undermines the development of trust? Why? What is it based on? Is it related to the monitoring system used?
- In case of a mode that inspires more trust between the partners, has this contributed to change the relationship? If yes, in what ways?
- Do you think some DPs trust the government more than others?

- In this figure which model do you think characterise the relationship between the government and DPs? Does it vary according to the different aid modes?

Control-based	Conditionality - based	Dependency	Trust-based

Final question

- Who else do you suggest I should interview? (Other staff in your agency, consultants, NGO representatives, etc.)

Key informants

Existing modes (and volume) of IDAH

- What are the existing modes of IDA for the health sector and why were these chosen?
- What is the history (chronology) / key events in time in relation to modes of assistance in Uganda?
- What has been the trend in the last five years (increasing or decreasing) of resources of IDA provided to the health sector and why do you think this is happening?

Leverage of different DPs

- Who do you think are the most influential DPs?
- Why / what makes them more influential (volume of aid, competence of technical staff, and efficiency in the management of the aid programme)?

Reasons for opting for one mode or the other (or along side the other)

- Why are DPs deciding to use one mode of assistance or the other (or along side the other)? [For example SWAp or GBS (and projects along side)]

Nature of the contracts (projects, SWAp, GBS)

- How do you describe the type of relationship between the Government and DPs (under the different aid modes)?

Penalty-reward system

- What do you think constitutes poor performance and how would a DP respond in the event of poor performance on the part of the government? (Would there be a series of responses to performance failing below a certain ceiling)?
- How would the government respond to poor performance or behaviour on the part of DPs?
- Call you tell about the main events or main crisis (disagreements) along the relationship between the government and DPs (or if you do not remember just the most recent crisis)?
- How was the crisis dealt with? Was aid suspended or funds delayed?
- Has there been in the past examples of threats of reprimand or sanctions due to poor performance? Have these threats materialised? If not, has this led to a lesser concern for performance?
- Have there been cases of projects or aid not being extended?
- Has any DP agency pulled out of Uganda temporarily or definitely and why?
- What are the gains for the Government if performance is considered satisfactory or even above the satisfactory level?
- Under what circumstances can the government expect more aid funds? and less?

Types of principal-agent relationships

- Who tends to initiate the relationship under the project /SWAp/GBS modes?

- Who do you think determines the volume of aid, the Government or DPs? And the type of support?
- Do you know of a case when a DP wanted to implement a project or programme and the government did not want or vice-versa?
- What do you think is Uganda's comparative advantage in attracting aid vis-à-vis other countries?
- What strategies do you think the government uses to attract aid? (For example, advocacy on scarcity of aid funds in order to attract more aid)
- Has there been a case of Uganda refusing aid from a DP and why?
- In your opinion where the power lies in this relationship?

Objective functions

- What kinds of motivations (what are their goals) underlies the relationship between DPs and the Government?
- Can you tell me what do you think are the priorities of DPs, MoH, MoF, and consultants from the point of view of organisations and of individuals?
- How would the MoFPED respond to in the event of poor performance by the MoH?

Monitoring/accountability

- How do you think the reporting and monitoring mechanisms work in practice (including frequency) for the different aid modes in place (surveys, missions, audits etc.)?
- Are resource flows linked to the monitoring systems? If yes, have there been delays in releases of funds because of non-satisfactory performance?
- Where does the focus of monitoring lie, on inputs, process, outputs, and outcomes? And does the focus differ in the different aid modes?
- (How do you think the monitoring system in Uganda compare to other countries)?
- For whom do you think are the existing monitoring mechanisms effective? And who's view of performance do the monitoring mechanisms reflect?
- To what extent do you think the right things are being monitored?
- Do you think the monitoring mechanisms used by the different aid modes vary (one being more or less effective than the other) and why?
- In the way the monitoring and evaluation systems are designed, what do you think are the weaknesses in the systems?
- Are performance indicators important in the monitoring process? And what are the associated problems (weaknesses) with using these kinds of indicators?
- Are final outcomes (e.g. maternal mortality or HIV/AIDS incidence) being used for monitoring of performance? If yes, under which aid modes? And what are the related problems?
- Do you see any difficulties with performance related payments in view of risks and uncertainties of producing outcomes or outputs and achieving targets? For instance, is it a problem to not know how much payment exactly will be due in a year's time?
- Which targets are being used? And which ones are important from your point of view?

- How important do you think are these targets for the different organisations (MoH, MoFPED, DPs)?
- Do you see any problems with the MDGs and PRSPs targets (for HIV/AIDS and maternal health)? (Are in line (or not) with national priorities)?
- Or do you think that they are driving the work of the MoH (and neglecting other diseases/targets that are not included in the MDGs for example)?
- Do you think these organisations (MoH, MoFPED, DPs) are truly committed to monitoring and evaluation? Who funds research (e.g. surveys - like the DHS), audits, etc.?
- Have there been attempts to improve existing mechanisms of accountability, in terms of control of resources (e.g. tracking studies) and monitoring of outcomes?
- Do you think these attempts are bearing fruit? If yes, in what terms? If not, what are the difficulties or constraints?

<u>The role of trust</u>

- How do you define the term 'trust'? Would you differentiate it in terms of different kinds? (Such as trust contract trust, competence trust, goodwill-trust, trust in relation to reputation/experience, custom/convention)?
- Do you think there is a role for trust in the relationship between the government and DPs?
- Do you think some mechanisms support or undermine the development of trust between DPs and the government? If yes, which mechanism supports the development of trust? Which one undermines the development of trust? Why? What is it based on? Is it related to the monitoring system used?
- In case of a mode that inspires more trust between the partners, has this contributed to change the relationship? If yes, in what ways?
- Do you think some DPs trust the government more than others?
- In this figure which model do you think characterise the relationship between the government and DPs? Does it vary according to the different aid modes?

Control-based	Conditionality - based	Dependency	Trust-based

<u>Final question</u>

- Who else do you suggest I should interview? (Staff in the MoH/MoFPED/DP agency, programme managers, consultants, NGO representative, etc.)

Appendix 4: Interviewees according to their organisational affiliation, sex and level of seniority

Categories / Total	Government								Development partners												Others											
	MoH 12				MoFPED				Mainly GBS/SWAp				Mainly Project (but involved in the SWAp)				Multilaterals[107]				Technical assistants[108]				Civil society / NGO				Consultants[109]			
	F				F				F				F				F				F				F				F			
	S	M	S	M	S	M	S	M	S	J	S	J	S	J	S	J	S	J	S	J	S	J	S	M	S	M	S	M	S	M	S	M
	1	1	3	7	1			2	2	3			1	3		2		1	1			1	1	1		1		1		1	1	1
Subtotals	2		10		1		2		5				4		2		1		1		1		2		1		1		1		2	
	12				3				5				6				2				3				2				3			
	15								**13**[110]												**8**											

F stands for female; M for male; S for senior; M for mid; J for junior

[107] Interviews with representatives from multilaterals were included as it emerged during the research process that it was necessary to discuss certain topics with them regarding their relationship with the Government and other DPs.
[108] They were funded by DPs posted at MoH.
[109] They had been to Uganda over a number of years – most since the start of SWAp.
[110] This figure does not represent different DP agencies as more than one individual per agency were interviewed in some cases.

Appendix 5: Ethical and research approval

Uganda National Council For Science and Technology

(Established by Act of Parliament of the Republic of Uganda)

Your Ref:.....

Our Ref:.....SS 1499.....

Date:.....20-Nov-03

Ms. Valeria Oliveira Cruz
C/O Institute of Public Health
Makerere University
P.O Box 7072
KAMPALA

Dear Ms. Oliveira Cruz,

RE: RESEARCH PROJECT, "USING AGENCY THEORY TO LOOK AT RELATIONSHIPS BETWEEN RECIPIENT GOVERNMENTS AND INTERNATIONAL DEVELOPMENT PARTNERS: A UGANDAN CASE STUDY"

This is to inform you that the Uganda National Council for Science and Technology (UNCST) approved the above research proposal on **November 19, 2003.** The approval will expire on **August 19, 2004.** If it is necessary to continue with the research beyond the expiry date, a request for continuation should be made in writing to the Executive Secretary, UNCST.

Any problems of a serious nature related to the execution of your research project should be brought to the attention of the UNCST, and any changes to the research protocol should not be implemented without UNCST's approval except when necessary to eliminate apparent immediate hazards to the research participants(s).

This letter also serves as proof of UNCST approval and as a reminder for you to submit to UNCST timely progress reports and a final report on completion of the research project.

Yours sincerely,

Julius Ecuru
for: Executive Secretary
UGANDA NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

LOCATION/CORRESPONDENCE

PLOT 10, KAMPALA ROAD
UGANDA HOUSE, 11TH FLOOR
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Fax: 256-41-531807

INSTITUTE OF PUBLIC HEALTH

October 31, 2003

Dr Nyiira
Executive Secretary
Uganda National Council of Science and Technology
Kampala

Dear Dr Nyiira

RE: PROPOSAL ENTITLED "USING AGENCY THEORY TO LOOK AT RELATIONSHIPS BETWEEN RECIPIENT GOVERNMENTS AND INTERNATION DEVELOPMENT PARTNERS: A UGANDAN CASE STUDY"

The above proposal by Ms Valeria Oliveira Cruz was reviewed during the 8th meeting of the Higher Degrees, Research and Ethics Committee meeting held on September 30th, 2003 in the MU IPH Board Room. The committee suggested some changes, which have been incorporated to our satisfaction. I wish therefore to recommend the proposal to you for approval.

I am attaching the revised proposal, the minutes of the 8th Higher Degrees, Research and Ethics Committee meeting and communication from Dr George Pariyo who reviewed the proposal on our behalf verifying that the recommendations have been incorporated.

Sincerely,

Assoc. Prof. Fred Wabwire-Mangen
Chairman, Higher Degrees, Research and Ethics Committee

Cc: Ms Valeria Oliveira Cruz

Mail Message

From: Tom Meade
To: Valeria Oliveira-Cruz
CC: Barbara McPake, Ethics@lshtm.ac.uk
Date: Wednesday - February 11, 2004 2:17 PM
Subject: Re: Ethics Committee 1037: Using agency theory...

Dear Valeria,

Thanks very much. That's fine and I have now approved the study. Good luck with it.

Tom Meade

Tom Meade
Tel: 020 7927 2182
Fax: 020 7580 6897

>>> Valeria Oliveira-Cruz 2/11/2004 14:08:18 >>>
Dear Tom Meade

Thanks for your comments.

Clarifications from my part are as follows:

- I agree there is potential bias from relying on contacts from IDPs and RGs to suggest interviewees. In trying to avoid this, since I arrived I have tried to map out the actors from both sides and decided to interview at least one official from each bilateral agency (multilateral agencies excluded since it would be too a large of a project and not manageable within the time frame available). If possible I will interview a second person in each agency as well. The choice of one person per agency may be because they only have one person for health. When they have two then there is usually a senior and a junior one. As for officials at the Government I am trying to interview at least one official from the priority programmes [(HIV/AIDS and maternal health) as redefined in my project following recommendations from the upgrading] and will interview a range of officials from the planning department in the ministry. Further other officials such as the director general will be approached for an interview. So the idea now is to rely much less on simple indication or suggestion of interviewees and try to work on the interviews through the structures of the different agencies.

- The initial information we had about the small number of donors involved in GBS (one or two agencies) has now, with field-work information, being updated. Luckily the number is now 9 different development partners participating in this aid modality. So the problem of maintaining confidentiality because of small numbers of donors in GBS has now considerably decreased. Given this changed circumstance, I will opt for the option to describe the results for the group as a whole, according to the suggested options in bullet 3 of your email.

Best regards..Valeria

June 2003
LONDON SCHOOL OF HYGIENE & TROPICAL MEDICINE
Keppel Street, London WC1E 7HT

Submitted January

Application Number .....
(To be added by the Secretary)

FORM A

ETHICS COMMITTEE

APPLICATION TO CONDUCT A STUDY INVOLVING HUMAN SUBJECTS

This form should be completed, signed by the Principal Investigator and Head of Department, and returned to Nicole Levin (Room 40), LSHTM, Keppel Street, London WC1E 7HT.

Name of Principal Investigator: Valeria de Oliveira Cruz.....

Appointment held: Research Fellow..... Date: .....

Other Personnel involved: Dr. Barbara McPake, PhD supervisor.....

Title of project:

Using Agency Theory to Analyse Relationships
in Development Partnerships

I approve this project scientifically.

.....
(Signature of Head of Department)

Date .....

Received by Ethics Committee

.....

.....

1. Give an outline of the proposed project. Sufficient detail of the protocol must be given to allow the Committee to make an informed decision without reference to other documents.
(Additional material should only be attached if considered absolutely necessary).

Previous studies of relationships between recipient governments (RGs) and international development partners (IDPs) in the health sector have tended to apply political economy frameworks to understand the key interchanges between these two sets of actors. Recently, agency theory has been used to further this analysis, but its use has not been applied to the health sector specifically. This study aims to contribute to a better understanding of the types of principal agent relationships between RGs and IDPs and how these are affected by different aid modalities in the health sector in Uganda. Lack of accountability and transparency in practices and mechanisms of both sides have been persistent complaints in RG-IDP relationships. Hence, we analyse the circumstances under which IDPs act as principals and RGs as agents, and, in contrast to previous studies, when RGs act as principals and IDPs as agents. New ways of structuring aid modalities offer approaches to managing the relationships differently by altering the incentive and monitoring environment. In the Ugandan health sector, responsibility for meeting development targets is reviewed at a Joint Review Mission attended by all relevant state actors and IDPs. This new monitoring mechanism focuses on outcomes rather than inputs to a greater extent than project modes of assistance, and can, therefore, change the nature of the relationship between RGs and IDPs. We use qualitative methods (interviews, observation of meetings and documentary analysis) to understand the effects of this restructuring, specifically analysing alternative aid modalities in terms of incentive compatibility, rewards and penalties.

2. State the intended value of the project. (If this project or a similar one has been done before what is the value of repeating it?).

The literature review for this project has highlighted an array of incentive problems arising from: a range of conflicts of interests between the various actors involved in the IDA, the multiple layers of delegation between actors and organisations, the broken feedback loop between the populations in 'donor' and recipient countries, the consequent weak accountability link across these institutions, and the difficulties related to monitoring (observing) the actions and or outputs yielded by agents.

As of yet, these problems haven't been thoroughly assessed. There is a lack of empirical evidence relating the micro-institutional relationships in international aid organisations (Martens *et al., 2002)*
and the discernment of the multiple stages of the aid delivery process and the many involved actors (principals and agents) with various (and often conflicting) objectives and constraints (Zinnes and Bolaky, 2002).

The application of agency theory to the area of IDAH is of particular relevance as health outcomes are determined within a complex scenario of uncertainties and have multiple determinants. These complexities increase the difficulties in monitoring and measurement, which instigate the use of principal-agency theory to understand the explicit and implicit incentive structure of the aid contract.

3. Specify the number (with scientific justification for sample size), age, sex, source and method of recruiting subjects for the study. Attach a copy of any advertisement to be used.

This study involves 'human subjects' only to the extent of interviewing health systems officials, and it will use published and unpublished literature as well as official documents based on data collected by others.

4. State the likely duration of the project, and where it will be undertaken.

Project will be undertaken in Kampala, capital city of Uganda. The envisaged duration is of 7 months.

5. Specify the procedures (including interviews) involving human subjects.

In-depth semi-structured interviews will be carried out with representatives of development partner agencies based in Uganda and representatives of the ministries of finance and health. Within the ministry of finance, there is a special unit in charge of the health sector. Staff from this unit will be asked to be interviewed. In the ministry' of health, the researcher will seek to interview staff from the following areas: policy, planning, evaluation, as well as from disease specific programmes (such as HIV/AIOS, TB, malaria and maternal health).

In addition, consultants working for IDPs will be approached for interviews. This is intended as a strategy to gain views from a third party and as to improve data validity. However, it is recognised that it may be difficult to gain access to interview persons of interest in general, and particularly consultants. This is because the researcher will, in most cases, have to rely on the suggestions and contact details from IDPs and RGs who may suggest the ones with more favourable opinion of their work. To try to overcome this problem, the researcher will try to approach consultants who are participating in meetings in which the researcher is taking part as an observer. The researcher believes that it is important to widen the group of interviewees, and consultants may feel freer to speak their views, in comparison to representatives of IDPs or RGs who may be inclined to adhere to the official discourse of their organisation. This is particularly important as we are assuming the nature of the contract to be implicit, which makes if difficult for others to observe the subtle forms of compensation and incentives.

As suggested by Seddon *et al.* (2000) the researcher will use key informants to start the interview series. Key informants will be selected via personal contacts established by the researcher during a visit in April 2002 to Kampala when she participated of in Joint Review Meeting (see explanation of this kind of meeting under the next method). A snowball approach will be used in order to identify further interviewees. In addition, the researcher will seek to interview at each organisation a senior and junior staff member. This proved to be a helpful approach in checking the statements made by senior staff in previous research in relation to a sensitive topic (political economy of tobacco control) (Seddon *et al.*, 2000). It is recognised that senior staff is more inclined to offer information in line with the organisation's 'official' policy (Alien, 2000). However, in hierarchical organisations junior staff may not be willing or allowed to be interviewed without the permission of their line managers (Alien, 2000), therefore it may be relevant that line managers are also interviewed, or at least familiarised with the research being conducted.

With respect to the method of observation, in spite of the expected difficulties to observe some of the meetings between IDPs and the RG, the researcher will seek to gain access to them. If this is not possible, the researcher will have to rely on second hand account (documents and interviews) of these meetings.

6. a) State the potential hazards, and their likelihood, that research subjects may be exposed to (these may include physical, biological and/or psychological dangers). What precautions are being taken to control and modify these hazards (include information on hazardous substances that will be used or produced, and the steps being taken to reduce risks).

No hazards foreseen in interviewing officials, observing meetings, and reviewing documents.

b) I confirm that any necessary risk assessment will have been completed for all staff working on this project before fieldwork commences.

.....Please initial to confirm agreement

Guidelines are available on the intranet at: http://intra.lshtm.ac.uk/safetv/osra.htm and the form at http://intra.lshtm.ac.uk/safetv/osra1.doc Reference can also be made to the School's Safety Manual or to a Departmental Safety Supervisor.

7. State the procedures or activities which may cause discomfort or distress and the degree of discomfort or distress likely to be entailed by the subjects.

We do not think that this project may cause any discomfort or distress to the subjects.

8. Specify the degree of confidentiality to be maintained with respect to the data collected and the method of achieving this. When small numbers are involved, indicate how possible identification of individuals will be avoided.

The researcher will maintain confidentiality of data and will not disclose names of individuals interviewed or their organisations. However, it is anticipated that it will be difficult to maintain.

confidentiality in cases of aid modes where only one IDP is providing such modality. In order to minimise this problem, the researcher will inform interviewees of the difficulty of maintaining confidentiality and offer to show relevant excerpts of the thesis before making it public. If the interviewee does not agree with this option, the researcher will ask for the interview to be 'off the records' as it may provide useful insights.

9. State the personal experience of the applicant and of senior collaborators in the study in the field concerned, and their contribution to the study.

The supervisor is a senior lecturer in health economics and has extensive experience in the field, having led various research projects since 1984.

While the PhD student has no research field work experience yet, she has been involved in deskbased research activities in the last 3 years as well as teaching in two courses. She also has a good record of publications in international journals. Before joining an academic institution, the PhD student had worked in projects involving the National Government of Brazil and different international development partners. During this time she had active roles in meetings between the parties and carried out monitoring activities on behalf of the Brazilian Ministry of Health to local organisations.

10. State the manner in which consent will be obtained and supply copies of the information sheet and consent form. Written consent is normally required wherever possible. Where not possible, a detailed explanation of the reasons should be given and a record of those agreeing kept. See Guidelines on information/consent forms: http://intra.lshtm.ac.uk/committees/ethics/

Interviewees will be verbally informed that the purpose of the study is to better understand the principal-agent relationships between recipient governments and international development partners and how these are affected by different modes of 'contract' or development assistance for health in Uganda.

We believe that verbal consent is sufficient in the case of this project since it is seeking to understand the nature of the relationship between the organisations. Hence, interviewees will not be asked about personal affairs. The interviewees will be asked about their understanding of the relationship based on their official capacity.

It is important in this research that we obtain honest information from the interviewees, and we believe that asking for a signed written consent form could bias the results. Interviewees could be put off if asked to sign and feel less willing to tell the interviewer information that is needed.

11. State what medical supervision is available and its location in relation to the subjects.

No Medical supervision will be needed, as subjects will not be taking part in any clinical procedures.

12. Is the study initiated/sponsored by a pharmaceutical or other industrial company?

YES/**NO**
If YES, name the company

13. (a) Does the project involve pre-marketing use of a drug/appliance or a new use for a marketed product?

YES / **NO**

(b) If YES, does the company agree to abide by the guidelines on compensation of the Association of the British Pharmaceutical Industry (ABPI) (Clinical Trials - compensation for medicine-induced injury) in respect of patients?

YES / **NO**
If YES, a written statement from the company to this effect should be attached.

(c) In a study on healthy volunteers does the company agree to abide by the current guidelines of the ABPI for healthy volunteers?

YES / **NO**
If YES a copy of the proposed volunteer contract should be attached.

(d) What is the regulatory status of the drug under the Medicines Act 1968: Product Licence / Clinical Trial Certificate (CTC) / Clinical Trial Exemption (CTX) / Doctor or Dentist Exemption (DDX)? If CTC, CTX or DDX a copy of the certificate should be attached.

14. Will payments be made to subjects? (These should usually not be for more than travelling
expenses and/or loss of earnings)

YES / **NO**

If YES give details and justification

15. Will the level of service or support available to study subjects be lower after the study than during the study?

YES/**NO**

If yes, give details and describe the steps being taken to minimize the loss in welfare experienced by subjects at the termination of the study.

16. Describe the measures to be taken to communicate the results of the study to study subjects, their representatives, local government, national government and other relevant bodies who could use the results of the study to improve the lives of the study subjects.

Study results will be disseminated through publications. Many of those interviewed will also be invited to workshops or seminars where results can be shared or met with in one-to-one interviews at the end of the study.

17. Include any other relevant information.

18. Where the research is to take place overseas, the Principal Investigator **must** seek ethical approval, through his/her overseas collaborators, in the country(s) concerned. Approval will not be granted by the LSHTM Ethics Committee until this written approval is submitted.

Please list the countries where research is being undertaken

Other countries ...**Uganda .....**

UK only (Please list) ....

Please submit formal ethical approval statement given by local committee within each country. If ethical approval has not yet been obtained from a local committee in the country, indicate to whom the proposal has been submitted and when a response is expected.

The project is being submitted to the Higher Degree Research and Ethics Committee at the Institute of Public Health of the Makerere University in Uganda. After review by this committee it will be subject to review by the national body, NCST. The process is expected to last between 5 and 9 weeks.

Signature of applicant

Medically qualified YES / **NO**

Other qualifications (please state)

Ms. Valeria de Oliveira Cruz: International Relations BA (U of Brasilia, 1993); Health Policy, Planning and Financing MsC (U of London, 2000)

Dr. Barbara McPake: Economics BA (U of York, 1983); PhD (U of Wales, 1993)

Are you a member of a medical protection organisation? YES / **NO**

Are you a member of any other protection organisation? YES / **NO**

Appendix 6: Information sheet provided to interviewees

Information Sheet

- Study Title: Relationships in Development Partnerships: A Case Study of Uganda
- Name of Investigators: Valeria Oliveira Cruz, Barbara McPake, Freddie Sengooba

- Contact details: valeria.oliveira-cruz@lshtm.ac.uk Phone in Uganda: +256 7741 2787

The objective of this study is to better understand the relationship between recipient governments (RGs) and international development partners (IDPs) in terms of how this relationship is affected by different modes of development assistance for health in Uganda [Key modes: Project, Sector Wide Approach (SWAp) and General Budgetary Support (GBS)] and by assessing existing modes of assistance in relation to incentives and monitoring structures.

This study uses qualitative methods – interviews, observation of meetings, documentary analysis – to understand the effects of this restructuring, specifically analysing alternative aid modalities in terms of incentive compatibility, rewards and penalties. The cooperation of the interview is instrumental for us in order to provide us with her/his knowledge, views and perceptions in this field.

Taking part in the research is entirely voluntary and withdrawal possible at any time without having to give a reason.

Participants that accept to be interviewed by the investigator will be asked questions and documentation about issues related to his / her current involvement at the Government or international development agency.

The investigators named above, particularly Ms Valeria Oliveira Cruz, will be responsible for the confidentiality of the material (information and documentation) provided, its use and disposal at the end of the study.

Should the interview take place outside of the interviewee or interviewer's office, for example in a café or restaurant, as a way of avoiding interruption during the interview, incurred expenses will be covered by our project.

This study has been approved by the Ugandan National Council for Science and Technology, as well as by the Ethics committees of the Institute of Public Health of the University of Makerere and the London School of Hygiene and Tropical Medicine.

Appendix 7: Further examples of the problems of lack of quantifiable targets and lack of verifiability

Areas	Undertakings	Means of Verification	Comments by VOC
On human resources	*Initiate the scaling up of training and improvement of the quality and outputs of health workers for the HSSP* (MoH, 2003b).	*Document detailing plan to scale up HRH production; monitoring reports on outputs of various training schools* (MoH, 2003b).	This contains no (quantitative) targets. So the monitoring report can show a slight increase on output and this can be considered 'initiate scaling up'. Because DPs will have to rely on the production of reports for the monitoring of this activity there may be scope for shirking.
On reproductive health	*All districts to review the constraints in the provision and uptake of maternal and child health services with emphasis on district specific solutions which should be discussed and adopted at District Conventions* (MoH, 2004a).	*Report on District Conventions summarising the district specific constraints and solutions adopted for improving maternal and child health services* (MoH, 2004a).	It is also questionable the extent to which a report on the conventions and a roll out plan are not open to disguising the true amount of effort put into the task.
	District plans to operationalise the roll out of the EmOC services on the basis of the result of the national needs assessment exercise (MoH, 2004a).	*District roll out plans for EmOC* (MoH, 2004a).	
On community mobilization	*Finalise and initiate implementation of guidelines for community dialogue, mobilisation and participation in health promotion and health services delivery* (MoH, 2003b).	- *Finalise field implementation guidelines for community dialogue: community dialogue implementation strategy, field manual for implementation, facilitation manual and brochure; and* -Documentation of implementation of community dialogue in 8 districts (reports, video) *(MoH, 2003b)*	*Another example with a poorly quantifiable / verifiable undertaking, also lacking evidence base of effectiveness.* One DP representative noted during the 2003 JRM that this undertaking was very broad, needed a clearer focus.

Appendix 8: Further examples of vaguely worded / easy to achieve undertakings

Areas	Undertakings	Comments
On reproductive health	*All districts to review the constraints in the provision and uptake of maternal and child health services with emphasis on district specific solutions which should be discussed and adopted at District Conventions* (MoH, 2004a).	Begs the question as to what does roll out and scale up mean. It is also questionable the extent to which a report on the conventions and a roll out plan (as per means of verification) - which will present progress on the achievement of these undertaking - are not open to disguising the true amount of effort put into the task.
	District plans to operationalise the roll out of the EmOC services on the basis of the result of the national needs assessment exercise (MoH, 2004a).	
On community mobilization	*Finalise and initiate implementation of guidelines for community dialogue, mobilisation and participation in health promotion and health services delivery* (MoH, 2003b).	*Another example with a poorly quantifiable / verifiable undertaking,* *also lacking evidence base of effectiveness.* One DP representative noted during the 2003 JRM that this undertaking is very broad, need a clearer focus and to further develop existing guidelines.
On human resources	*Minister to appoint a technical committee to implement recommendations of the Social Services Committee of Parliament on revisiting the minimum entry requirements for entry into Health Training Schools* (MoH, 2003b).	Comment by one of the DPs during the HPAC meeting of December 2003 when undertakings that were drafted during the JRM were being finalised: "*with one meeting it could be said that undertaking was achieved.*"
	Initiate the scaling up of training and improvement of the quality and outputs of health workers for the HSSP (MoH, 2003b).	Means of Verification for this undertaking says: "*document detailing plan to scale up HRH production; monitoring reports on outputs of various training schools*". This contains no (quantitative) targets. So the monitoring report can show a slight increase on output and this can be considered 'initiate scaling up'. Again because DPs will have to rely on the production of reports for the monitoring of this activity there may be scope for shirking. For example one KI (KI – 3, other) said: *"Who is challenging the fact that they were really taking place, that a quick and dirty presentation was made during the JRM to say what they did about this".* Progress reported towards this undertaking was similarly vague. For instance report below says 'increasing number of tutors' but no figures are provided. Progress towards undertakings: - *Training to increase outputs of HTIs being scaled up through: Improving infrastructure, Increasing number of tutors and Financial backup for disadvantaged Students.* - *Quality of HRH produced from HTIs being improved through: Tutor development, Provision of training & health learning materials, Support for practical field work, Support to inspectorate activities of MoH and MoES, Reviews of the various curricula and Support to in-service training.* (MoH, 2004a)