Causes of slow and low disbursement in donor funded projects in Sub–Saharan Africa: Evidence from Uganda

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June 2008

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IPRA Working Paper 23

Institute of Policy Research and Analysis, Kampala

June 2008

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Abstract: In this paper, we document the experience with donor funded projects in Uganda, identifying both factors that contributed to its success and that hindered its effectiveness. We find problem of low/slow disbursement to be associated with funds procedures and conditions attached to specific projects, including the counter-part funding requirement; conditions for aid effectiveness; deficiencies in procurement planning and failure to follow the conditionality and funding guidelines on procurement procedures. The ranking of these problems do vary from project to project. The weak project implementation capacity (capacity constraints) implies that attention needs to be focused on building capacity of technical staff especially in those projects with elaborate procedures such as the World Bank IDA/IBRD projects.

JEL Classification: .

Key words: Donor funded projects, sub-Saharan Africa, Uganda, Regionalism and Multilateralism, Developing Countries, Africa and GATs.

Contents

1 Introduction

This paper examines the causes of low/slow disbursements in donor-funded projects in Uganda, and suggests ways to overcome them. Donor funds committed to finance various projects in Sub-Saharan Africa are characterized by extremely low/slow disbursements (or stop-go disbursements). This, not only imposes a heavy cost on these countries, but it also undermines the effectiveness of aid in Africa. In line with the 'doctrine' that aid is more effective in a good policy environment, the allocation of resources across countries has been calibrated, in some cases, to mirror indicators such as the quality of policies, institutions and governance. As a result, some countries have received increased resources while others have received far less resources.

Yet, even countries whose records are consistent with this doctrine (good policy environment, institutions, etc.) still experience low/slow disbursement. What is the problem? Previous studies show a wide divergence in country perspectives with those of the donor community on what the real problems are, and their impact on program/project implementation. Perhaps the assessment by the donor staff tends to look at only one side of the problems. A balanced and objective view is needed in order to resolve the problems. What is even more interesting is that although the donors and governments admit some of the problems, there has been little improvement in the disbursement rates across Sub-Saharan Africa suggesting that may be there are other constraints that need to be addressed.

The aim of this paper, therefore, is to contribute to a better understanding of the causes of slow/low disbursement of donor funded projects in Uganda and to suggest ways in which to overcome these constraints. In case the problem is due to organizational impediments that do not allow the necessary changes, to overcome these problems then part of the task is to identify these constraints, examine areas where changes need to be made to improve disbursement performance and utilization of resources in Uganda for poverty reduction.

Objectives

The main aim of the study was to examine the reason behind the slow/and low disbursement of fund to donor funded projects in Uganda and suggest appropriate strategies for their improvement, specifically:

i) the causes of low/slow disbursements in donor-funded projects in Uganda;
ii) the link between disbursement and procurement issues and how to tackle them;
iii) why certain specific projects disburse faster than others (by looking at the disbursement ratio by project);
iv) the capacity constraints related to disbursement facing Uganda and ways to effectively address them;
v) instruments that are relevant to specific conditions of Uganda so as to avoid a "one-size-fits-all" approach; and to draw lessons for future cooperation in areas of project aid.

Data

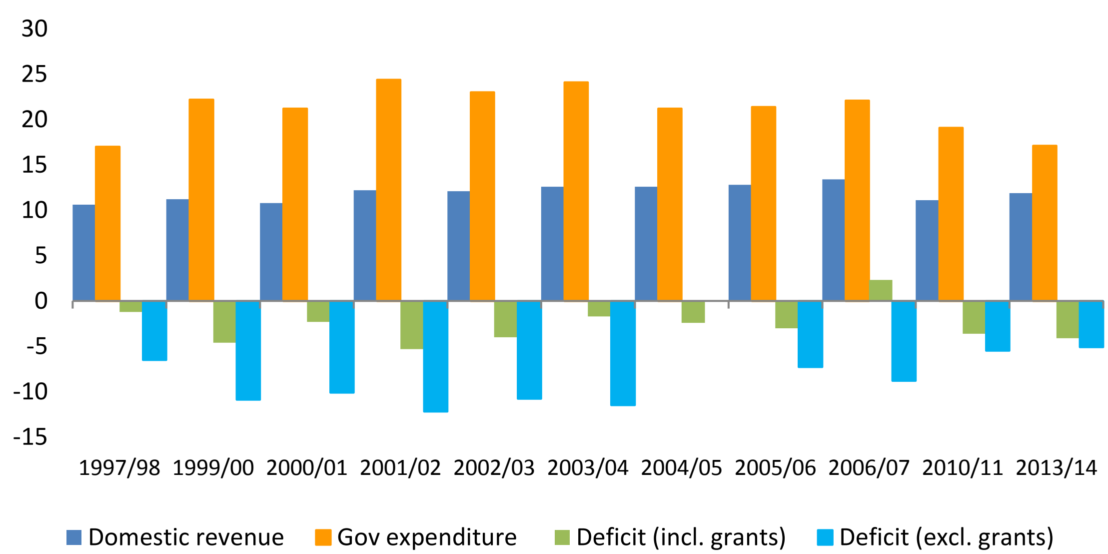
To address these objectives, we used data on project funding from the Ministry of Finance, Planning and Economic Development (Treasury Services Department), and interviewed officials of the World Bank Uganda Office, officials of the Ministries of Finance, Planning and Economic Development, Officers responsible for implementing donor funded projects that have enjoyed fast disbursement and those that have suffered from slow/low and/or stop-go disbursement.

The rest of the paper is organized as follows: We begin in section 2 with an overview of external financing requirements. Sections 3 and 4 provide an overview of the World Bank Projects in Uganda and causes of slow/low disbursement (in IDA/IBRD-funded projects), and also explain why certain specific projects disburse faster than others by looking at the disbursement ratio by project. At the same time, we compare the views of Bank staff with that of government/project staff about the problem of slow disbursement. Section 5 documents experience with other development cooperation projects. In Section 6, we propose a framework to address the problem of low/slow disbursement, and Section 7 concludes, and suggests areas of further research.

2 External financing requirements

One of the greatest challenges facing Uganda Government is the high level of fiscal deficit as a percentage of GDP, which is often financed by foreign inflows in terms of budget support (Figure 1). Given the present circumstances; volatility in tax revenues and low capital inflows, it would appear that the contribution of aid to Uganda's development effort is still required at least for the foreseeable future. Uganda's poor risk rating, implies it will take some time to attract large private capital inflows into the country (institutional investor risk rating for Uganda was 19 on a scale of 0-100 in 2000; 0 is maximum risk, 100 is maximum safety). Hence, a substantial amount of the needed increase in public investment must come initially from aid.

Figure 1. Uganda: Government expenditure and budget deficits (as % of GDP)

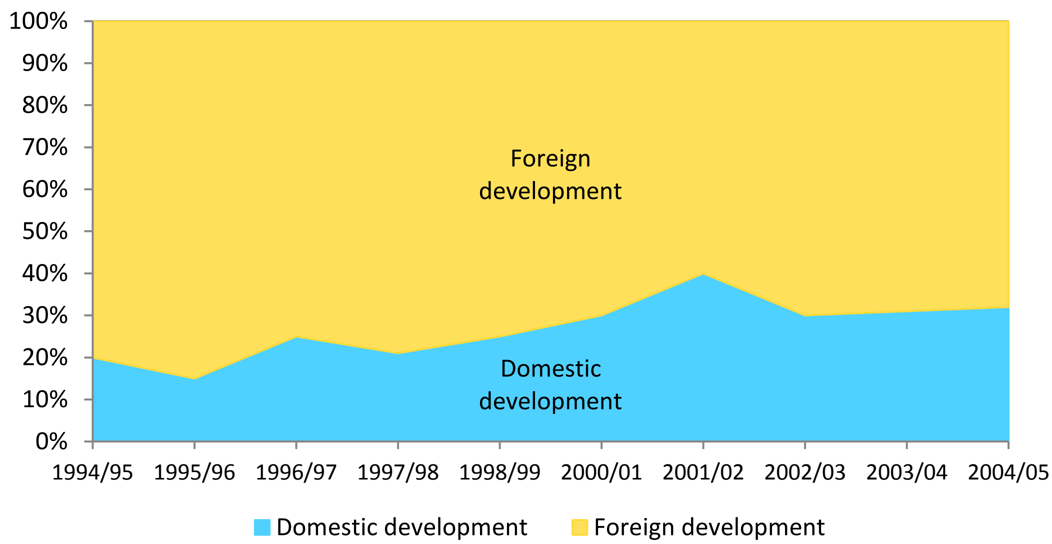


Source: Ministry of Finance, Planning and Economic Development

The World Bank estimates that, Uganda's overall external financing requirements for 2004/05-2006/07 is US$ 2,189 million, including grants and loans. Based on the commitments indicated by development partners, project disbursements are expected to reach US$ 938 million, of which US$ is estimated to be in grants and US$ 249 million in loans. Program disbursements are projected to be US$ 1,253 million, of which US$ 734 million will be in the form of grants. The new Poverty Reduction Support Credit 4 (PRSC4) is expected to constitute part of International Development Agency (IDA) contribution to fulfilling the external financing gap (included in these estimates).

It is expected that, if all development partners fulfill their commitments, the residual financing gap for 2004/05-2006/07 will be about US$ 32 million (the gap is likely to be much wider than expected). Again, the Bank is likely to review Uganda's medium financing requirements in light of the actual availability of external financing which might, depending on circumstances, lead to decrease or increase in the overall support.

Figure 2. The share of project aid in development budget

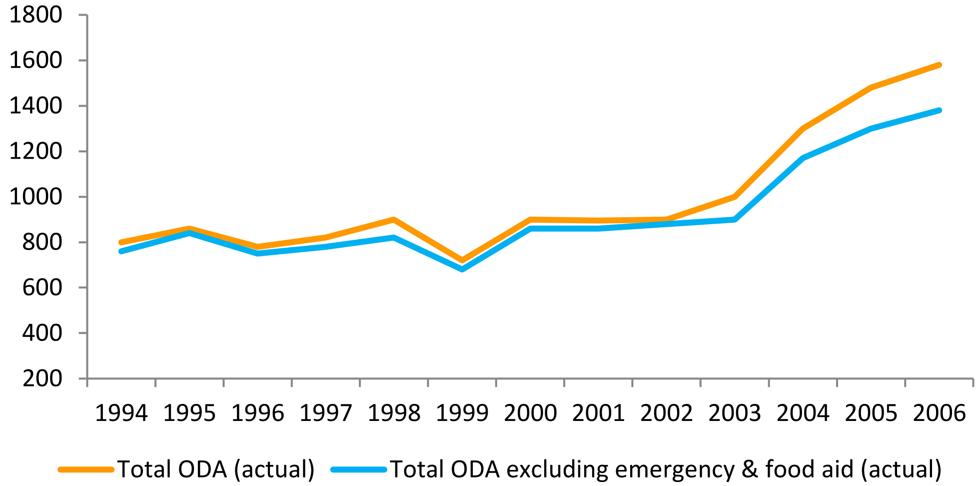


Source: Ministry of Finance, Planning and Economic Development

The latest available information on ODA flows to Uganda reveals considerable increase in the past four years (Figure 3). The historical perspective and significance of the developments in the ODA flows since independence is well highlighted in Kasekende and Atingi-Ego (1999).

ODA flows to Uganda have been quite strong since 1986 in support of the serious efforts by Uganda government to rebuild the economy. The period has been associated with marked improvement in economic management. Growth rates averaged above 5 percent over the last one and half decades and the government has implemented bold measures aimed at promoting price and macroeconomic stability.

Figure 3. ODI Flows (to Uganda) in USD millions, 1994–2004



The last one an half decade has also been associated with improvement in political and public governance and quality of institutions although public corruption has worsened. Expressed as a ratio of GDP, Official Development Assistance (ODA) flows averaged over 13 percent in the 1990s compared with an average of about 9 percent in the 1980s, with World Bank as the major player (Table 1). The IDA comprises over 20 percent of total disbursement.

Table 1. Aid Flows by major donor as reported to the OECD/DAC

	1994		1999		2003	
Donor	**Disbursement**	**% Total**	**Disbursement**	**% Total**	**Disbursement**	**% Total**
IDA	208.22	27	125.73	19	247.07	27
UK	62.63	8	95.73	14	93.56	10
USA	58.79	8	50.1	7	171.26	18
Denmark	49.7	7	55.34	8	43.62	5
EC	49.38	6	59.15	9	76.69	8
IMF	49.27	6	33.58	5		
Japan	26.65	3	24.38	4		
AfDB	25.9	3	24.52	4		
Germany	25	3	25.96	4	24.92	3
Netherlands	24.4	3	26.49	4	46.88	5
Norway					33.35	4
Sweden					26.81	3
Ireland					36.41	4
Remaining 30 Donors	183.65	24	150.48	22		

Source: OECD/DAC Database

The dominance of the World Bank among the multilaterals reflects a policy shift by government to concessional financing (and World Bank being the main provider of concessional loans). It is also true that most of the bilateral financing is in form of grants; and European countries are Uganda's key bilateral donors. From the figures it is difficult to discern any major shifts in sourcing of ODA among the bilateral development partners. However, one would assume that Ireland, Finland and Belgium became donor countries to Uganda in the late- 1990s.

Experiences with ODI in Uganda as documented by Kasekende and Atingi-Ego (1999), Collier (1999) and others offer policy lessons which would help recipient countries if donors could agree on the same set of conditions. The first is that government ownership of aid-related programs is critical to their success. The second one is that each country needs to adopt a clear aid strategy so as to prevent an eventual problem of debt overhang that may arise from increased aid inflows. Thirdly, macroeconomic and political stability are essential to trigger increased external resource flows. Finally, there is a need for reduced conditionality on aid to increase absorption. We turn to experiences with World Bank funds committed to finance various projects in Uganda over the last fifteen years or so.

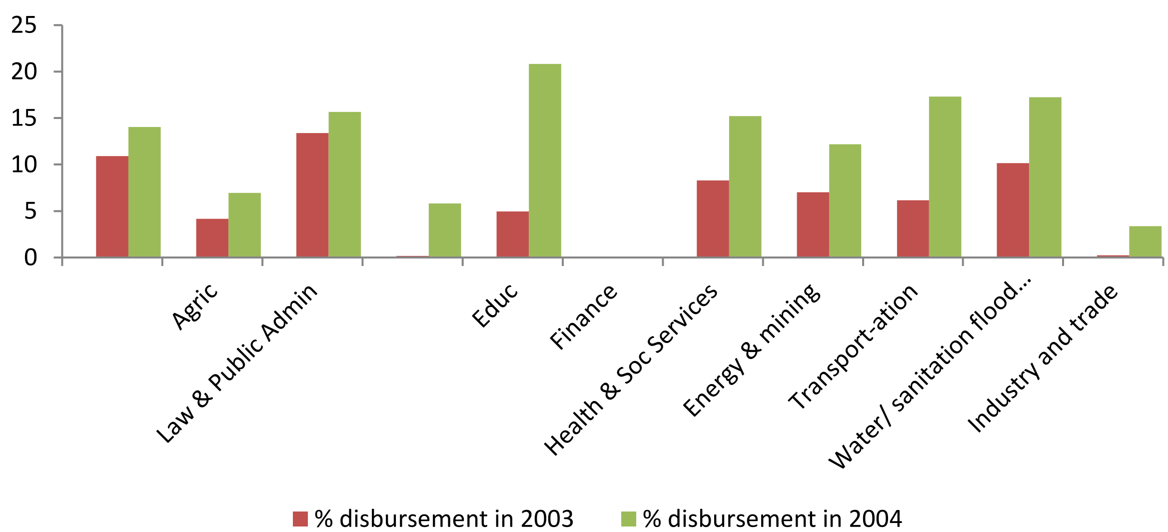
3 Experience with World Bank–funded projects in Uganda, IDA/IBRD

Recent research has cited several reasons why aid has sometimes not been effective in promoting growth and helping alleviate poverty in Africa. One of the reasons for this trend, as is widely acknowledged, is the problem of slow disbursements. Donor procedures for disbursement may be so cumbersome that even when funds are committed, there are often long and unpredictable lags before governments are able to utilize them. Even when funds are received, government may become so overwhelmed by the aid projects that the business of the government becomes overshadowed by the need to satisfy donors, replacing the need to meet the goal for which the aid was provided (satisfy citizens).

For all the World Bank projects reviewed, none of them had achieved 100 percent disbursement by the time they reached their official end dates. Disbursement lags resulted in lower disbursement than expected (Figures 4 – 8). For instance, by 30 June, 2005 only 30 percent of the approved projects (in Table A1) had disbursed at least 50 percent of the loan/credit/grant amount. Less than 10% of the projects disbursed 50% of the fund, half-way through their closing dates.

Figure 4 provides information on all IDA disbursement in fiscal years 2003 and 2004, while Table A1 (Annex) gives information on all IBRD/IDA projects in Uganda that were active on/beyond 30 June 2005.

Figure 4. Uganda: IDA disbursement FY2003 - 2004 as share of funding commitment (percent)



Source: World Bank

IDA commitments in 2003 and 2004 amounted to US$ 978 million and US$ 887 million, respectively (Figures 5–7), and less 20% was achieved in disbursements. Note that the above percentages of disbursed amounts could be different from the percentage shares computed when projects such as in Table A1 are used as units of analysis. For example, in agricultural sector where disbursed amount in 2003 was only 10.91% (Figure 4), by projects the disbursement could be as high as 82% in the case of Lake Victoria environment IDA project (see Table A1 in the annex). The same is true for the health sector where the disbursement for HIV/AIDS Control was about 45% (Table A1). The commitments (in Table 1A) did not necessarily translate into disbursement. There was in fact very low disbursement.

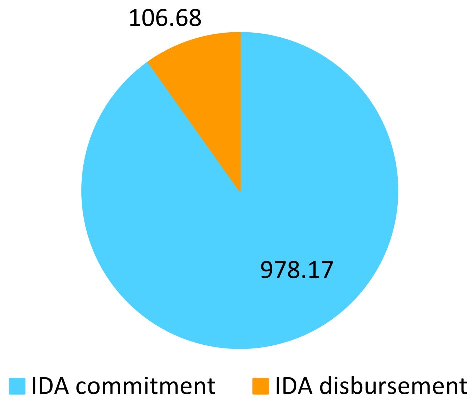


Figure 5. IDA commitment/disbursement, 2003

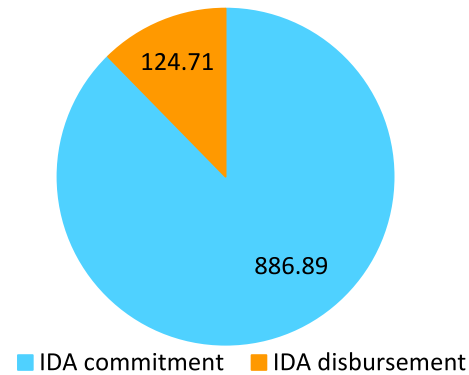


Figure 6. IDA commitment/disbursement in, 2004

Generally, commitment during a particular year would not equal disbursements in that year partly because of the long delays between the time of commitment and the final disbursement. Again, commitment may not always reflect new resources. Sometimes commitment of previous year is carried forward, especially if it was not followed up by actual disbursement of resources.

The World Bank portfolio of projects under implementation amounted to about US$ 1,159 million by 30 June 2005 (Table A1). IDA has a strong presence in the areas of environment, agriculture, health, water and infrastructure. The Bank maintains a balance of Poverty Reduction Support Credit (PRSC) support to Plan for the Modernisation of Agriculture (PMA) and project support to National Agriculture Advisory Services (NAADS) and National Agriculture Research Organization (NARO).

The greatest share of the Bank investment goes to infrastructures (roads), local government and Northern Uganda Social Action Fund (NUSAF). Development in the road sector is largely linked to increasingly agricultural productivity. Overall, poverty reduction and economic growth are at the centre of all World Bank funded projects in Uganda, which signifies their importance to the economy.

Figure 7. Uganda: IDA Commitment & Disbursement in FY 2003, 2004 (million USD)

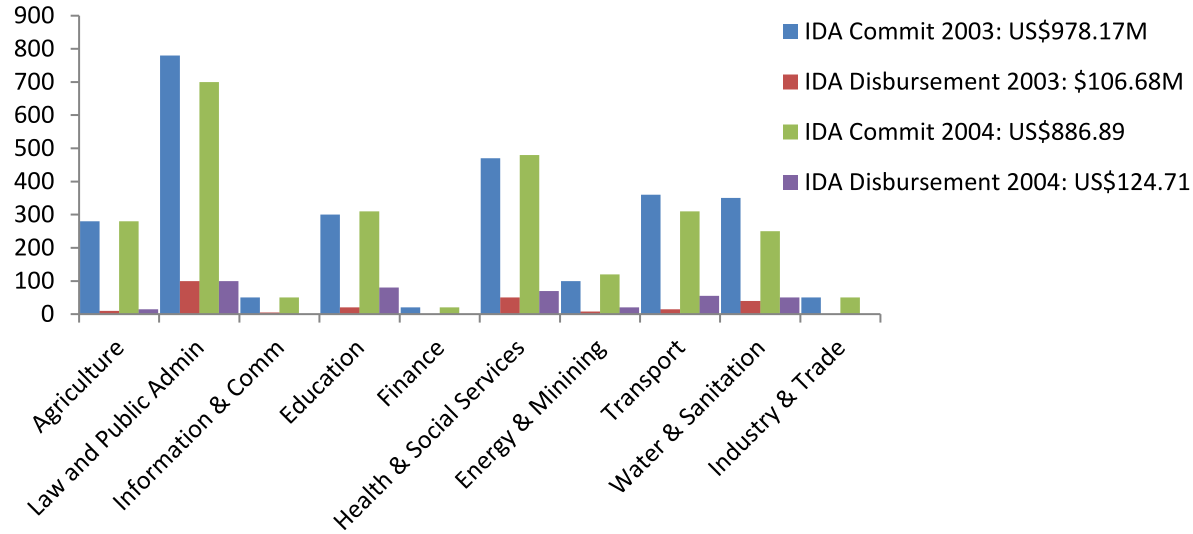
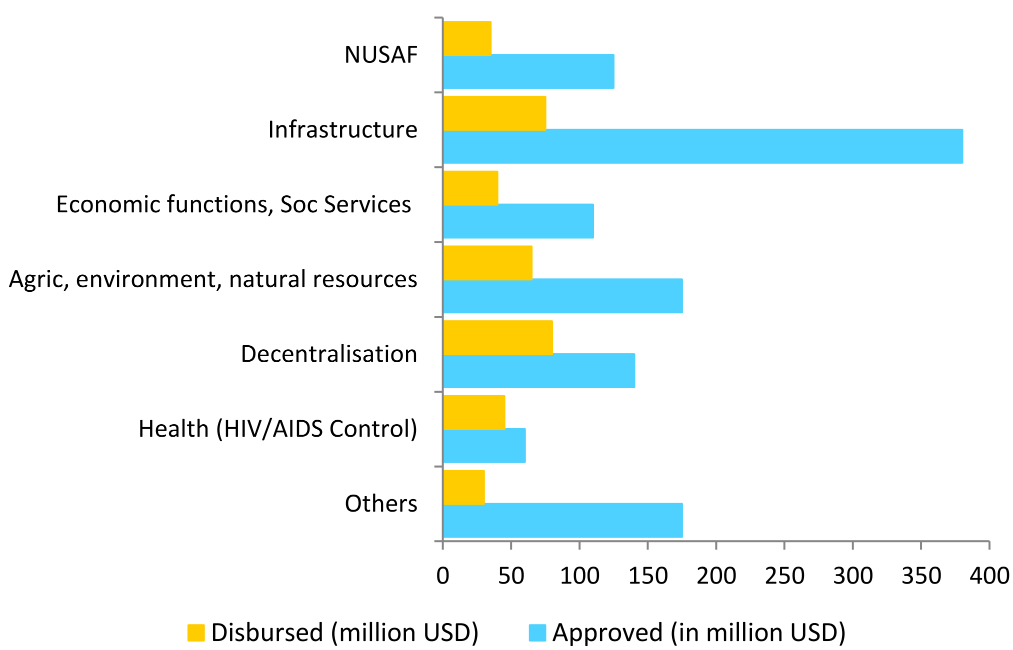


Figure 8. IDA/IBRD disbursement, June 30, 2005 (million USD)



Note: Others include Sustainable Management of Mineral Resources, Regional Trade Facilitation, Private and Utility Sector Reform and Second Private Sector Competitiveness projects (details see Table A1).
Source: Ministry of Finance, Planning and Economic Developement

If you consider two projects that were approved by the Board on 2 September 2004 (Table A2): the third phase of the Road Development program and Second Private Sector Competitiveness project, you realize that they hardly disbursed any funds in the first year. The explanation given is that the tendering of four packages of civil works was not yet completed and contracts were expected to be awarded by the end of 2005. Similarly, activities to kick start implementation of the second Private Sector Competitiveness Project were just beginning by 30 June 2005. Staff and technical assistance were being recruited and implementing agencies were trying to finalize work plans for updating procurement plan.

> **In the case of NAADS**
> NAADS is financed by both the Government of Uganda and the Development Partners. The total programme budget over the initial seven year period is US$ 108 million. Of this amount IDA would contribute US$ 45 million while IFAD would contribute US$ 17.5 million. Other donors, which include DFID, EU, Irish Aid and the Netherlands Government would contribute grants to the basket funding for the programme over the seen year period (GOU, 2003).
> **Five years later (i.e. by 2005),** only US$ 3 million of the loan money had been disbursed.

There are various examples of this type where donor money is approved and remains largely underutilised despite the sorry state of the roads, health sector, education, etc. We shall look at a few.

> On January 18, 2005, government asked for $12,260,000 (Shs22b) from the International Development Agency (IDA) for HIV/Aids control projects. By June 30, 2006 only $2.6m (Shs4.8b) had been utilised leaving $9.5m (Shs17.2b) unused.

About 80,000 people are currently on anti-retroviral treatment and about twice the number are in dire need for ARVs.

> On November 25, 2003 government secured a grant of $15,427,428 (Shs27.7b) from IDA to finance the Fourth Power Project. By June 30, 2006 only $6.2m (Shs11.2b) had been used leaving at least Shs16b idle. Government secured another $165m (Shs27b) on May 30, 2001 from NDF for the same Fourth Power Project but by June 30, 2006 only Shs14.7b had been used leaving at least Shs13b unutilised.

The country is facing power crisis and many factories and companies are operating at half capacity due to shortage of electricity. The government has often claimed that more power dams would be built if it had funds. And when funds are provided, it fails to utilise it.

> On June 20, 2003, IDA gave a grant of $53.9m (Shs97.1b) for Makerere University's training programme under education sector programme. By June 30, 2006, only $33,158,659 (Shs59.6b) had been utilised. The lecturers have often complained that they lack money for research, and here we are with funds that remain unutilised.

Other projects such as the District Support Programme, Rural Micro Finance Support Programme, Small Towns Water Supply, Regional Trade Facilitation, Northern Uganda Social Action Fund (NUSAF) and Vegetable Oil Project have funds which the government has failed to claim from the donor agencies.

> On Nov 14, 2002, IDA approved $22m (Shs39.6b) for NUSAF activities, but by June 30, 2006 only $817,775 (Shs1.47b) had been used, leaving Shs38.1b idle. People in the war-ravaged northern and north-eastern parts lack basic needs like medicine, food, water and shelter.

By January 2007, out of US$ 122.3 million (Shs220.1 billion) in loans for several road projects, only US$63.1 million (Shs113.5 billion) had been spent by end of December 2006, leaving US$59.1 million (Shs106.4 billion) unutilised. By not using these funds, Government has spent Shs5.5b as commitment fees to donors to prove that it is interested in the projects.

There are many old examples dated back to 1980s where disbursements were not made at all. A fund commitment of USD 1,486,737,715 signed between 29 May 1987 and 1 June 2004 for 25 roads projects, which closed on 1 June 1995 and 30 June 2006 did not translate into disbursement. Another commitment of USD 704,844,889 signed between 22 June 1994 and 16 August 2004, of which up to USD 248,819,489 were intended for agricultural projects, up to USD 187,178,769 for education and up to USD 241,826,707 for health was not disbursed.

Between 14 November 1988 and 22 December 1999, government agreed to borrow another USD 684,782,091 (IDA). By the closing dates, between 30 June 1996 and 31 December 2005, no disbursement had been made. Additional funds to finance 20 projects in various areas of economic sectors, of up to USD 738,361,529 signed for between 8 February 1990 and 1 July 1994, reached their closing dates without a single disbursement.

Commitment for transport master plan signed for between 22 November 1999 and 20 June 2003 was not disbursed at all, and some fund going to agriculture and Northern Uganda reconstruction programme had only a single disbursement by the time they reached their closing date.

The low disbursement meant tremendous cost to the country (because of the fee charged on unutilized balances, in addition to commitment charges). The low disbursement by the World Bank partly arose because both Government and other development partners were not fulfilling their obligations and pledges in time as per the loan agreement.

Recently Government sought to renew the loan with plan of scaling it down. The programme is to run for seven years and a solution is being sought in the fifth year. Some officials in the Ministry of Finance felt that even if the loan was to be scaled down to, say US$ 10 million, government would still not be able to absorb it. Last year government paid US$ 5 million to the World Bank as commitment on NAADS and other loans – a penalty for not drawing down loan balance as required by the agreement.

However, there have been a number of successful cases as well. For example, commitments of up to USD 1,106,811,669 made between 19 April 1984 and 9 December 1988 for about 29 projects covering various sectors of the economy, and additional commitment of up to USD 362,176,031 signed between 30 May 1985 and 22 December 1999 with closing date between 31 December 1993 and 31 December 2005. Another successful example is fund of up to USD 896,022,386 agreed to between 6 July 1987 and 16 September 2002 for about 17 projects in 9 economic sector, which closing dates between 11 January 1988 and 31 December 2002.

Where we particularly observed fast disbursement, was the small towns' water and sanitation project.

The case of small towns' water and sanitation project

The broad objective of the project was to support the Government of Uganda's (GOU) economic recovery program by extending the rehabilitation and upgrading of water supply and sanitation services to towns that had not been covered. This was expected to contribute to enhanced family, public and environmental health, increased labor productivity and alleviation of the traditional burden of women in the provision of water and sanitation services. The specific objectives of the project were to: (a) improve health conditions through better water

> supply, excreta disposal, waste management, and public hygiene; (b) alleviate poverty and improve the lot of women; and; (c) reduce environmental degradation through better waste management.
>
> By the time the project was closing, US$41.37 million or 99.8% of the IDA credit had been disbursed. Except for the gap occasioned by the delay in project effectiveness, disbursements were generally on schedule.

According to an independent evaluation report, there were two factors that led to a delayed start of project implementation (including) the requirement to obtain "no objection" letter for the project from the other Nile Basin riparian countries. This factor was obviously outside the control of government or implementing agency.

On the other hand, project implementation of the case study 2 was delayed by 15 months after Board approval due to a condition that required enactment of the Water Statute to provide a legal framework for water user groups, water user committees and water user associations. This condition, although it was a difficult one to fulfil especially given the country's focus on developing a national constitution at that time, it was still within government control. One way to address this might have been for government to press for more realistic effectiveness conditions during credit negotiation.

Government also admitted that project preparation, on its part, was weak. In addition, Government identified a number of shortcomings to be taken into account in designing future projects:

a) unnecessarily heavy expenditures on consultancies and studies (these comprised about 26% of total project cost) some of which were not directly linked to project objectives; and
b) the unrealistic conditions set for credit effectiveness and its failure to address such conditions during credit negotiations;

Except for these shortcomings and gap occasioned by the delay in project effectiveness, disbursements were generally on schedule. The case we have just seen was indeed, one of the World Bank's successful projects. The fast disbursement was attributed to the Bank's flexibility, strong partnership with the government, regular and efficient supervision and for the MTR recommendations, efficiency in day-to-day activities such as issuing “no objection letters, and replenishment of the Special Accounts.

Lessons learned

- Lower threshold for direct payment so that direct account can also be used for some small payments. Flexibility in modality for payment – there should be options - flexibility that enables payment.
- To avoid delays in project implementation, conditionality, which is outside the control of implementing agencies, should be avoided. (For example) the requirement to formalize the existence of Water User Groups (WUG), Water User Associations (WUA), and Water and Sanitation Committees (WSC) required the enactment of the Water Statute by Parliament - this condition led to a 15-month delay in project effectiveness.

4 The causes of low/slow IDA/IBRD disbursement

According to various sources (from government ministries and the World Bank), there are four factors that have been responsible for the low/slow disbursements in IDA/IBRD-funded projects in Uganda. The first one is failure by government to fulfill the preconditions of accessing the fund especially the timely provision of the counter-part fund component. Second, a good percentage of the delays in initial disbursements are attributable to slow/bureaucratic procedures at the government (ministries) and the Bank itself. The third factor is poor/lack of procurement planning by project staff and failure to follow the conditionality and guidelines for utilization of the funds particularly procurement/funds procedures. It is apparent that project managers do not plan for procurement early enough and few of them fully understand the World Bank procurement system. Also, there are delays in submitting accountability reports to allow for next releases especially from special accounts.

4.1 Bureaucratic and technical delays

Information from various sources in government indicate that it often takes long for government to prepare request, which has to go through several bureaucratic layers (e.g. Sector Working Group, Ministry of Finance/Development Committee, the Cabinet, and at times Parliament) before the request is submitted to the World Bank.

From the World Bank office in Kampala, request can be routed to the World Bank regional office (Dar-es-Salaam/South Africa) and/or Washington. Any absence (whether temporary) of the task manager, familiar with the project leads to delay in the Bank approval. A new person unfamiliar with the project will take time to acquaint him/herself by referring to Kampala office for clarifications. By the time decisions are taken and the funds are approved, the request is well over due.

Approvals are further hampered by the split between local country team and Washington-based task managers. From what we heard at the project management level in line ministries, it appears the country office of the World Bank contributes very little to the screening/appraisal of the project proposals submitted to the Bank. Those in government are of the view that more involvement of the country office team is crucial in speeding up the process because they are closer to recipient government and more familiar with the conditions of the country than the Washington-based task managers.

Some of the problems were associated with high turn-over of project staff. One of the criticisms of World Bank project support like many other project supports we have inquired is that there is high turn over of labour/staff. Sometimes one who lands on the project take time to be acquainted with the project modality, etc. To this, suggestions were made that call for the need to design project supports in such a manner that makes the government to own the project because the ultimate sufferers are the implementers and beneficiaries.

4.2 Stringent preconditions

In the project document there are some preconditions, which take time to fulfill or implement, for instance, legal requirement, constitutional requirement such as parliamentary approval (in the case of loans), counter-part fund requirement were reported to delay process of accessing funds. Some disbursement takes place after a year because of stringent precondition.

Legal requirements

In one of the cases reviewed - the case of small towns' water and sanitation project - The Bank had proposed an unrealistic effectiveness condition (to provide a legal framework for WUA, WUG and WSC which required the intervention of Parliament), but GOU did not negotiate to have this condition dropped. Fulfillment of this condition led to a 15-month delay in project effectiveness. Due to these weaknesses, government performance in project preparation was rated *unsatisfactory.*

On the other hand, the Uganda Constitution requires that any borrowing by government has to be approved by Parliament. Sometimes government signs project document which then takes about one to three years to be approved by parliament. As a result, some projects have stayed for two years or more before actual implementation can commence.

After the legal requirements are fulfilled, it is still upon the government to satisfy basic conditionality such as opening up project account, appointment of officers, acquiring office space, drawing a memorandum of understanding and work plan, commitment fee, counter-part fund, which equally are time consuming.

Counter-part funding constraints

Sometimes, donors release the money but government delays counter funding hence stalling the projects. This has been a big problem both at national and local level. For instance, under the local government program, the Bank approved US$10m which has never been disbursed. To get that money government must raise 10% in counterpart funding. Since the beginning government has been able to raise only 1.3% (USh 250m) as counterpart funding. It is hope at the end of the financial year Government will have raised Ush 500m – this can only trigger of US$2.5 m disbursement.

In the NUSAF case, the project implementation period is 5 years with a total financing plan of US$ 133.5m. The implementation period is expected to run from September 30, 2002 – March 31, 2008, with the following co-financing arrangement:

Table 3- Financing of NUSAF

NUSAF Source	Local (US$M)	Foreign (US$M)	Total (US$M)
Government of Uganda	13.30	0.00	13.30
World Bank (IDA)	98.20	1.80	100.00
Local Communities	20.20	0.00	20.20
Total	**131.70**	**1.80**	**133.50**

Source: NUSAF Secretariat.

Note that in Table 3, **local** means the amount provided in local currency equivalent while **foreign** is referring to amounts provided in foreign currency.

Conditioning disbursement to performance indicators

There has been situation where condition demands that Government monitors the inflation rate movements. After this is done, it has to be verified by the World Bank before disbursement. Verification and monitoring of those conditions take time. While some of the conditions were appreciated by government because they instill discipline, the general view was that they should be kept flexible because certain conditions are outside government control/influence. All the respondents from government ministries agreed that some conditions which are political e.g good governance should not be tied to development.

4.3 Deficiencies in procurement planning and capacity constraints

There are several steps in World Bank funded projects. Every step requires approval which demands advance procurement planning and scheduling e.g. hiring a consultant in time. However, in most cases these are not done or project managers wait until the last hour to hire a consultant, leading to delays in fund disbursement.

A number of government project officers even after training are not familiar with procurement process. It is not as simple as the World Bank thinks.

Central tender board was abolished and replaced with Contract Committees in all ministries to handle procurements. However, most of the ministries lack personnel with profession skills and expertise in procurement. So far it is Ministry of Agriculture that has procurement unit within establishment to solve internal weaknesses in delay in procurement, but other ministries may not have.

The expectation is that by the time you get the loan, you are ready to spend the money. Sometimes the Ministry usually gets the money before the roads are designed. A detailed road design may even take two years. In addition the tendering process that follows takes four months. After getting the loan, sometimes the money could remain unused for three years. In other cases work starts but the firm contracted can't perform. Actually after winning the tender, some firms sub contract to a small firm that can't perform well. By the time the ministry realises that the work was sub contracted to an inefficient firm, it could five years from the time the loan was got.

Most donor projects are supposed to be designed on a time schedule and if the project managers don't follow the schedule, the projects delay to take off, making the money stay unused for a long time. That is the major problem. Money is not absorbed on time because of poor project management.

Capacity constraints

Capacity constraints were seen to affect the outcomes of the negotiation and has often manifested in deficiencies in project preparation and procurement planning and scheduling. Many respondents from government ministries mentioned poor composition of government negotiating team which comprises people who are not conversant with technical aspects of the projects they are going to negotiate. They are blamed for endorsing loans when they have very little knowledge of the local environment or the problem existing on the ground that might hinder implication on the project. Such issues that are not addressed at the negotiation stage are hard to bring on board at later stage during implementation. There have been several cases of aid which government is not able to absorb either because the country was not prepared for it or simply the conditionality makes it impossible to implement.

This is implementation problem. Without experienced officers – effective and efficient project management - the process that leads to disbursement will be slower e.g. planning, procurement – different depending of whether you are procuring goods or services – prepare terms of reference, advertise, receive terms, evaluate and award. For works – design roads, building, advertise, evaluate and award. This process delay – in many projects, delays are because some projects do not have competent and skilled manpower. As long as planning for procurement is not done in time, it will delay disbursement.

Suggestions from respondents point to the need for project management unit to be on top of the process. There was a feeling that with efficient financial management and documentation system, and proper accounting and reconciliation with the bank, project management can quickly ask for replenishment.

However, it seems many are finding it hard to cope with elaborate procurement process. A number of government project officers even after training, are not familiar with procurement process. So many changes are coming on board. The local contract committees in the line ministries are not in any way familiar with World Bank system, either. Sometimes, projects staff approach the World Bank for 'No Objection' to speed up the process at the committee level.

Central tender board was abolished and replaced with Contract Committees in all ministries to handle procurements. However, most of the ministries lack personnel with profession skills and expertise in procurement. So far it is Ministry of Agriculture that has procurement unit within establishment to solve internal weaknesses in delay in procurement, but other ministries may not have.

The Uganda HIV/AIDS Control Project joint supervision mission Aide Memoire 24th June-4th July, 2002 recognized deficiency in capacity of project staff and recommended that a procurement specialist for the Project Coordination Team be recruited, as well as simplify procurement guidelines and conduct procurement training.

Further, project channeled through central government is implemented by local government, NGOs which have low capacity to implement project – leading to slow implementation and disbursement. The ambitious decentralization of programs including devolution of service delivery roles and functions, as well as financial resources has further exerted pressures on the limited capacities of the public sector. Gaps in human skills as well as organizational and systems deficiencies are problems in the local governments.

Capacity of the private sector, which is supposed to be contracted or sub-contracted to in the delivery of services also attracted attention in addition to that of the local government. There are indications that the awarding of tenders, a part from being marred by corruption, is being weakened by the absence of qualified procurement personnel at the districts as the districts are unable to offer higher salaries to attract such qualified staff.

Character of the project management team was cited as important factor in relationship with donors. Good working relationship between project management team and the World Bank team was considered to very crucial for the success of any project. Other than the official communication that goes on between the Permanent Secretary and the task manager at the Bank as a matter of mandates and operational procedures, experience shows that continues consultation and interaction and trust-building between project teams on both sides makes things move faster.

4.4 Fund conditionality/guidelines and elaborate procurement

Ambitious design of project

Most of the projects are designed by consultants – local and international. The problem that is discovered is that these consultants do not regard changes in condition or project environment that quite often happen after the project is sanctioned. They also seem not to seriously consider the country's absorptive capacity. Some changes can be handled by task managers but others may require action of the Board. It is always important to involve all the major stakeholders and make sure that all the factors are considered. Often World Bank projects do not involve relevant stakeholders. Projects are 'wrapped' in complicated technical language and format. Few managers can understand the content of the project documents.

Special account phenomena

Some project managers complained about the size of special account. There were a number of reported cases in the interview which concerns delays in disbursement because small accounts could only accommodate few transactions/payments. What it means is that certain activities may not be carried out or paid for until management accounts for previous disbursements. However, direct payment helps to relieve pressure on special account, but to the extent that it is flexible enough.

In one of the cases we studied in the Ministry of Local Government, local consultants were contracted in March 2005 to undertake some task, but one year later the work had not begun because the special account on this particular project is too small and cannot cover a range of activity.

In the past, anything recurrent was supposed to come from counterpart funding. Government revenue was not forthcoming – the problem still exits although somehow reduced now.

Problems of procurement - elaborate procedures

Problems of disbursement were recognized in nearly all the projects reviewed. For example, a joint supervision team from the World Bank, the Uganda AIDS Commission (UAC) and the HIV/AIDS Control Project Coordination Team reviewed the Uganda HIV/AIDS Control Project from 24th June to 4th July, 2002, and noted that,

"slow flow of funds has been a major obstacle in implementation, due to slow release of funds, poor accountability for funds received, limited capacity at sector and district levels to process payments and poor understanding of the project financial management guidelines. Procurement for the project is slow (e.g. for condoms, drugs) and hindering project activities."

The study found problems, directly linked to procurement in almost all the projects reviewed.

All the respondents from line ministries and project management units agreed that elaborate procurement process of World Bank is the major cause of delay and low disbursements. The process comprises numerous steps which are contained in the guidelines. All these steps must be followed before funds are released. "Fifteen years ago we use to have 125 steps, they have reduced but still very elaborate" a project staff in the Ministry of Local Government in Kampala recalled.

If you miss one step you will be required to begin over again from the first step – whether you were at the last stages (you get it wrong at one of the 125 steps you will go back to step one). Assume you are procuring consultancy you have to come up with term of reference which must be clear. The process of approving TOR is lengthy. Once that is done the next step is to decide on the mode of procurement, which can be through international bidding, local shopping or other method. Sometimes project management use government channel sometimes the World Bank channel. In many projects, procedure requires that you clear the bidding documents.

These bidding documents can be as voluminous as 100 pages. The Bank will make sure that those are in the project. Sometimes clearance is routed through the regional or Washington office. In this scenario project manager would be very lucky if the Bank sends a staff to supervise the process/provide technical support (supervision becomes useful).

Next, the Bank will be looking for evaluation report to verify the firms. Also required is an inception report among others. If the Bank is satisfied, it will approve the inception report (as well as paying for the report); if not it will withhold the money. Some people could not understand why the Bank gets involved in approval of inception reports as well.

Again, supervision mission can be good but it can also hamper progress. In certain cases, projects were supervised four times. This (over supervision) delays implementation, and creates tension among project staff, according to a number of project officers we consulted. There is always a team of experts to examine the accounts. Because of complexity of issues project managers often get involve in the process hence depriving them of their normal duties. Any queries in the previous report means no further advance until the problem is rectified, so many managers would become preoccupied with preparations for such missions to 'clean-up' instead of investing time on actual implementation. There were also cited cases where the Bank (during such mission or other consultations) raises issues that may be outside project, asking government to first deal with particular policy issues.

Project managers suggested that supervision mission should be well thought-out, focused and designed to achieve specific output and desired result.

In the vegetable oil project (IFAD), the problem of drawing down the loan was failure to start implementation of the oil pump component of the loan which was about US$13 million of about US$ 20 million loan.

When they did the bid, the company which won the bid did not take up the investment. Then the bid was cancelled. Two years later they invited the second best company (BIDCO) in 2000. Between 2000 and 2005 government was negotiating with BIDCO on incentives they had requested. They just started implementing that component in 2005. The planned 10,000 Ha comprising 6500 Ha and a nuclear estate and 3500 Ha for small holder growers. The project has been extended to 2010/11 from 2007. The US$ 13 million for oil pump goes to buying equipments and infrastructure development. NARO – ARTP I and II -also faced delay in disbursement due to procurement problem

Procurement problem is not unique to the World Bank alone. AfDB has a range of portfolio in agricultural sector. It has about 4 projects focusing on fisheries and livestock sub-sector, small-holder agricultural development (North-western Uganda), and farm-income enhancement. However, they are disadvantaged by their elaborate procurement procedures which affect the implementation and performance of their portfolio. AfDB has similar arrangement in mainly the procurement, for example, Fisheries Development Project delay in procurement is related to obtaining land title of all the sites where fish landing sites is to be built. Obtaining a land title takes long.

4.5 Corruption

Other than the nature and types of contribution by the World Bank being a result of mandates and operational procedures, there is also the learning and trust-building effect.
Given the fungibility of money, the way Government uses the money put under budget/project support offers lessons to development partners on its behaviour and commitment towards the project support. The 2003 cuts of 23 percent in all non-PAF expenditure categories was constantly cited as demonstration of beach of the PRSP terms by Government and is said to have sent signals, which to some extent slowed progress towards realization of full budget or project support. Prior to this there has been a case of persistent budget overruns by sectors such as defense and public administration, with the later showing persistent growth over the last few years.

Rent-seeking behaviour and corruption, both of which are clearly evident in Uganda, were cited in the interviews as one of the leading causes of slow down and not just procurement problems. This is a clear testimony of the long-time recognition by economists and policy makers that institutions matter in determining economic performance.

Sub contracting road works is legally allowed but they must inform us. Unfortunately some firms don't inform us, you only see a big name on the road when it is a small firm working. A case in point is the construction of Kampala Northern bypass, where a big company; Salini won the contract but later subcontracted the job to small firms, which were not disclosed to the ministry.

The government has failed to use at least Shs2.5 trillion of donor funds meant to finance various development projects due to corruption and sheer incompetence. The Shs2.5 trillion is for 38 government projects. Since 2001, donors have been approving loans and grants to Uganda but the government has not utilised them in full. This has been caused by incompetence and corruption of several project managers. Besides keeping the funds idle, government has also paid at least Shs5.5 billion of tax payer's money to donor agencies as penalties for not using the grants and loans.

some government project managers fail to spend the monies upon realising that there will be no chance to steal the funds after donors have subjected them to a strict accountability test. Because they gain little, sources said, project managers neglect the money preferring to use the government funds, which they can spend at their discretion.

The other reason is that many government projects have incompetent managers who fail to submit the required project plans in time.

5 Experience with other projects

3.1 Project funded by other international agencies: ADF, IFAD, etc

In the agricultural sector, billions of shillings from donor agencies such as ADF and IFAD meant for modernisation of agriculture remained idle. The Fisheries Department is the worst affected. On Dec 22, 1999, ADF gave Fisheries a loan of $ 95,078,697 (Shs171.1b) to run the Fisheries Development Project. The money was to be spent by Dec 31, 2006 but by the end of the loan period on June 30, 2006 only Shs97.4b had been used, leaving Shs73.6b unused.

Funds committed to 23 ADB projects that were signed around 4 August 1987 were not disbursed by their closing dates of dates between 31 December 1996 and 31 December 2007. The commitments amounting to USD 518,920,910 were meant for key sectors such as roads USD 135,428,156, agriculture USD14614243, education USD 44,134,117 and health USD 303,407,631. Additional ADB fund meant for 12 projects within the roads, agriculture, health, water and sanitation, public administration, economic functions and social services, signed between 14 August 1992 and 1 July 1994 was never disbursed by their closing date.

For another 8 ADF funded projects, disbursement was made towards the end. Out of a total commitment of USD 115,015,465 signed on 2 June 2003 and 18 January 2005, only USD 1.719691 million was disbursed, and it was for only two projects, national livestock and productivity improvement and farm income enhancement project. Projects for the cotton sub-sector signed for between 26 July 1993 and 4 May 2001 also did not see any disbursement.

Among successful IFAD-funded projects include those signed between 23 February 1988 and 15 February 2002, with closing dates between 15 August 1997 and 31 Decemebr 2006. These include rehabilitation and maintenance of rural feeder roads-IFAD support to NAADs Secretariat, vegetable oil development project, small-holder cotton rehabilitation, agricultural development project, SW region agricultural project, and cotton sub-sector projects.

3.1 Projects funded by bilateral donors

We reviewed over 200 projects funded by bilateral donors between 1987 and 2007. These include projects funded by governments of the United Kingdom, Germany, the Netherlands, Ireland, Norway, Sweden, Italy, Austria, and the EU. Although most of the projects had successful disbursements, some over 90 percent, there were several cases where disbursements were delayed or never made at all.

An example of the Ireland funded projects where disbursement were not made at all include funds for projects signed between 1 October 1994 and 2 January 2001– for health, accountability sector, economic sector and public administration (support to Uganda Investment Authority, Auditor General Office and Human Rights Commission), and strengthening coordination of accountability sector.

Funds committed to finance projects by government of Italy that was signed between 1 January 1985 and 31 May 1999 e.g. support to Gulu University, health sector and Nyagak/Paidha hydro power project, of up to USD 54,055,940 were never disbursed.

Funds committed Government of Japan to finance several projects signed between 20 May 1994 and 18 August 2005, some of them did not translate into disbursements. This include a total of USD 32,129,067 for agriculture, education, health and accountability sector signed between 1 July 1994 and 10 March 2003.

For Netherlands funded projects, we noted cases where disbursements staled for about 11 projects – in security sector, education, health, accountability, economic functions, including support for Northern Uganda reconstruction.

Lack of disbarments were also observed in several projects to be funded by Norway between 13 November 1986 and 11 June 2003 in a number of sectors including Law and Order, education, health, accountability sector and economic functions. Up to USD 34,088,399 committed between 1 January 1988 and 26 August 2002, to finance projects in education sector, health, accountability and public administration, among others, were not disbursed.

This problem of low/slow disbursement or lack of it in some cases, has been a common problem for all bilateral donors including the United Kingdom, Austria, Sweden, Germany, Denmark, France, and the EU. Next section provides some insights on how this problem might be tackled.

6 Framework to address the problems of disbursement

Government is drafting new procedure which requires that before a loan is signed, it must first have the approval of parliament. Unsynchronized disbursement - very often of the characteristic features of project is that it is outside the boundary of government control – very often removed from government activity. Implementation unit runs in parallel with sector activity. Hence it becomes difficult to coordinate with sector activities. Evidence shows that Government money in sectors is utilized in a more efficient manner than project money.

Project should not be seen as an end to itself. The way project is conceptualized; rarely is a project seen as a first step in building a process system that will ultimately be owned by government. There is poor coordination as to who is doing what. There is also financial wastage in all sectors of the country because several donors are doing the same work and they are poorly coordinated. There are probably 30 partners all doing different things which do not feed into national development plan which could be coordinated by government.

7 Conclusions

This paper assessed the causes of low and slow disbursement of donor funded projects in Sub-Saharan Africa. Government and the World Bank confirm several factors that have been responsible for the low/slow disbursements in IDA/IBRD-funded projects in Uganda. These include: failure by government to fulfill the counter-part funding requirement in a timely manner; bureaucratic and technical delays from both Government and World Bank; strict conditions for aid effectiveness; capacity deficiencies in procurement procedures; and failure to follow the conditionality and IDA guidelines on procurement procedures. The ranking of these problems do vary from project to project. Furthermore, there are also problems associated with high turn-over of project staff. In such situations, the newly replaced on the project take time to be acquainted with the project modality, etc.

Government sometimes delays to prepare and have request approved by relevant authorities e.g. the parliament. Requests are subjected to several bureaucratic layers (e.g. Sector Working Group, Ministry of Finance/Development Committee, and the Cabinet, before they are tabled to appropriate committee of parliament (when required), and finally to the World Bank. At the World Bank, the screening and approval procedure is equally long.

Sometimes, the World Bank procurement system itself is far from perfect. The technical language used by the consultants in preparation of such document is never user-friendly and this is coupled by the World bank insistence that strict adherence to several clauses in the procurement document must be followed.

Government respondents agreed that elaborate procurement process of World Bank is the major cause of delay and low disbursements. The process comprises numerous steps which are contained in the guidelines. All these steps must be followed before funds are released. Missing a step requires that one has to begin over again from the first. Finally, Bank supervision mission can also hamper progress. Sometimes over supervision delays implementation, and creates tension among project staff.

One of recommendations to address the above problems and constraints is for the government to press for more realistic effectiveness conditions during credit/loan negotiation stage.

Shortcomings to be taken into account in negotiating and designing future projects include, among others (i) unnecessarily heavy expenditures on consultancies and studies (these comprised about 26% of total project cost) some of which were not directly linked to project objectives; and (ii) the unrealistic conditions set for credit effectiveness.

Conditionalities which are often outside the control of implementing agencies, should be avoided as much as possible. As an illustration, avoid conditions such as formalizing the existence of Water User Groups, Water User Associations, and Water and Sanitation Committees which required the enactment of the Water Statute by Parliament. This condition led to a 15-month delay in project effectiveness.

Capacity building, especially in World Bank procurement procedures, for project implementation units should be an integral part of negotiations of loans and credits. To avoid duplication and wastage, donor co-ordination is essential, for example, the recent Joint Assistance Stratgey by the main donors in Uganda is a welcome move.

Overall we need to improve on project management and be tough on project managers to achieve targets as laid out in project designs. Government paying Shs5.5b as fines for unused monies. Commitment fee is paid by government and it's the tax payers who suffer.

Areas for further research

There is need for further research on the following areas:

(i) The role of aid conditionality and procurement on public accountability and welfare. Has aid conditionality and procurement improved discipline and flow/utilization thus contributed to welfare in a significant way. Or have they resulted into heavy cost for recipient countries?

(ii) Effects of counter-part funding on budget management. Does counter-part fund requirement lead to inter-sectoral budget reallocation at both central and local government levels i.e. shifting funds from other investment/sector or does it trigger and what does this mean for poverty eradication goals.

(iii) Aid volatility (including low/slow disbursement and tax policy (tax regressivity). Do changes in tax system/rates (particularly consumption tax) driven by IDA flow? Or overall fiscal deficit?

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