

Development Financing Flows to Uganda

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Peter Engbo Rasmussen
Country Economist





Introduction

- ▶ Move of funding away from Budget Support towards project financing
- ▶ Less funding to Ministry of Finance reduces its control over the allocation of external funding, while strengthening line ministries influence on policy and spending
- ▶ Less use of PFM systems curtails MoF ability to account for spending of external funds. Problematic
 - ▶ MoFPED needs to be fully informed about the use of funds that are spent in the country in order to make the best judgements over sector allocations,
 - ▶ duplication of systems adds to transaction costs
 - ▶ the public sector's ability to absorb external development funding could be linked to reporting issues rather than implementation delays
 - ▶ Government may be wrongfully criticised of under-funding some sectors, e.g. social sectors, while in fact the opposite may be the case if complete information on donor's contribution was available on a sectoral level
- ▶ Aim of the presentation is to highlight current practice and spur a discussion for improvement in reporting.



Definitions

- ▶ **Overseas Development Aid (ODA)**
 - ▶ Provided by foreign official agencies (state and local government) that can be classified as concessional, irrespective of whether the assistance is provided in the form of grants or soft loans
 - ▶ Grants have 100% grant element, while concessional loans require a grant element of at least 25% to be classified as soft loans. ODA includes everything from grants, concessional loans, debt relief, humanitarian aid, development research, and administration costs within donor countries
- ▶ **Country Programmable Aid (CPA)**
 - ▶ Is a subset of the aid flows captured in ODA
 - ▶ CPA aims to only account for foreign financial assistance, which is influenced, and therefore allocated by the recipient country, i.e. the recipient country has a greater say on where the funds are spent
 - ▶ Excludes unpredictable flows such as humanitarian aid, debt relief, and flows that do not directly reach the recipient country such as administration costs of donors, spending on development awareness, research and refugee spending in donor countries at home
 - ▶ CPA flows are those for which the donor is mutually accountable to the Government for delivering as programmed

Methodology

- ▶ Desk Study based on publicly available information
- ▶ Using available data, simple comparison of OECD CPA data with MOFPED fiscal framework data and budget execution data.
- ▶ Data collected from OECD and MOFPED Budget websites
- ▶ Caveats
 - ▶ Technical assistance may be higher than recorded by OECD, e.g. Some donors use consultants to implement projects
 - ▶ Flows from China are not reported by OECD, CPA is likely to be underestimated.



Country Programmable Aid to Uganda

Figure 1: Country Programmable Aid, 2010-2017, (USD millions)

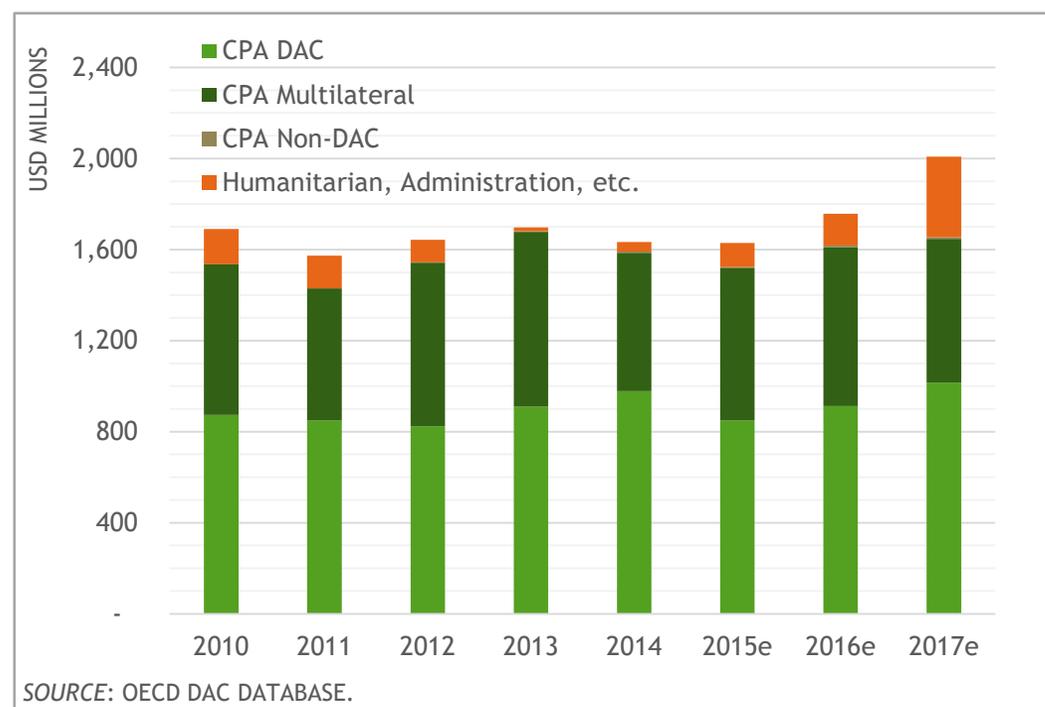
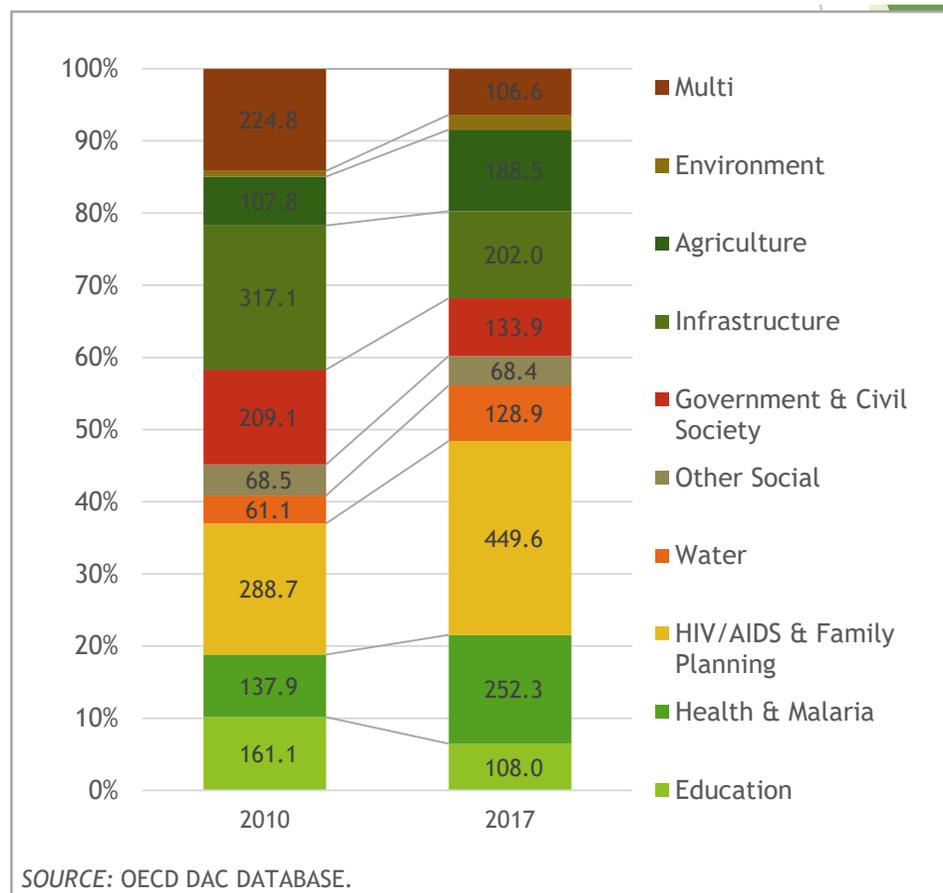


Figure 2: Distribution of CPA by sectors in 2010 and 2017 (pct. & USD millions)



CPA: USD 1.7 bn (6.2% of GDP). Humanitarian Aid up
 Social sectors receive 60%, but education down,
 Multi (GBS), infrastructure, & governance down.



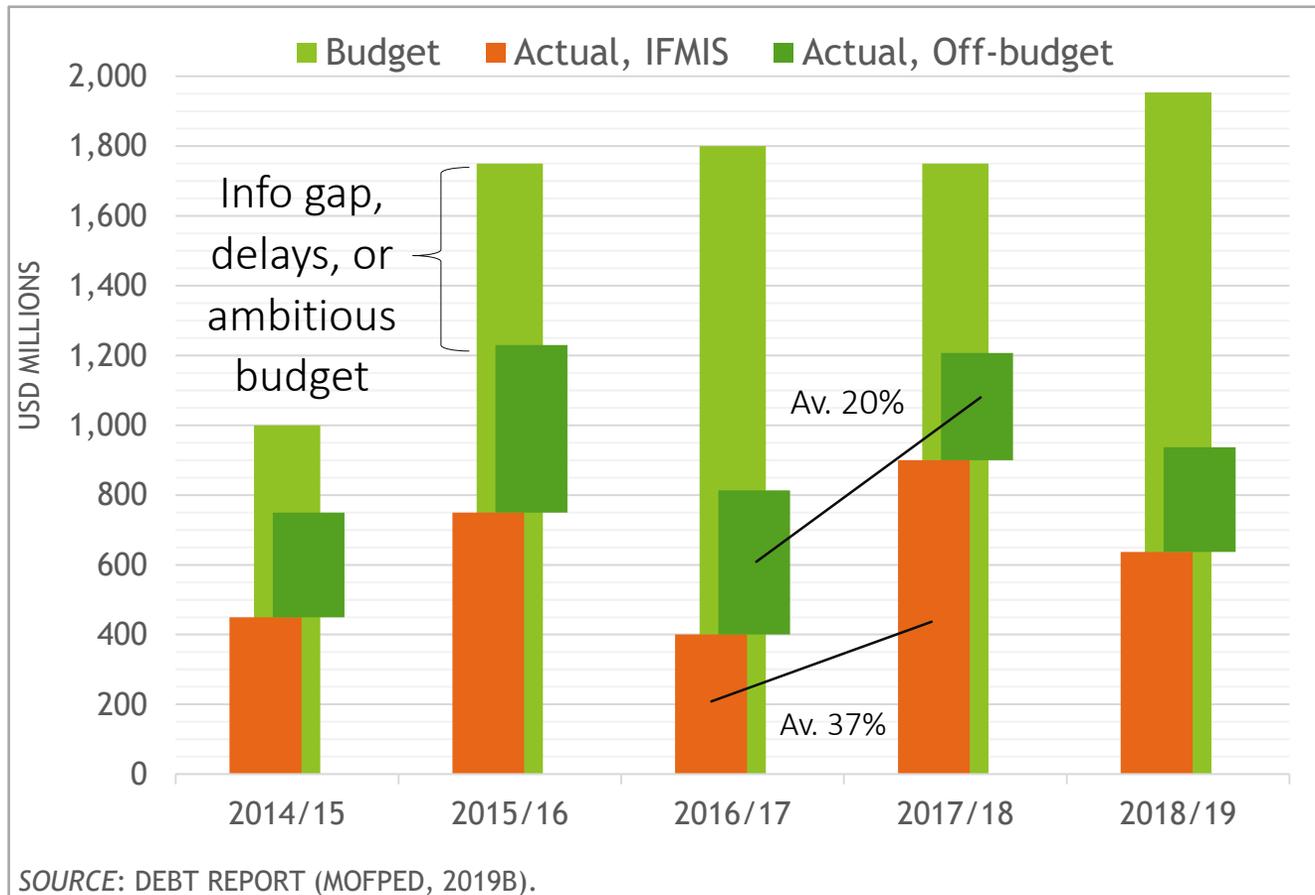
Main Results

USD (millions)	2016/17	2017/18	AVG.
External budget projections			
MTEF	1,700	2,200	
Annual Budget	1,800	1,750	1,775
External reporting			
IFMIS	400	900	650
Off-budget	413	307	360
Total	813	1,207	1,010
GAP to Annual Budget	987	543	765

- ▶ Reason for GAP: absorption capacity, overambitious budgeting or information not reported?
- ▶ Well: OECD reported CPA in 2017 as USD 1,655 million
- ▶ Reporting discrepancy in 2017 is USD 645 million (13.2% of GOU outlays in 2017, 13.1% in 2016).

Information Gap

Figure 3: Budgeted loans and grants, and actual reported loans and grants (USD millions).





Recommendations

- 1) Donors should **shift to country PFM systems** and move development financing flows on-budget. Strengthen country systems, increase transparency and accountability and build local capacity.
- 2) Development Partners to **strengthen their efforts to report aid transfers** to MoFPED. Off-budget transfers are not well captured by government systems. Quarterly reporting could be provided using aggregate project information from the Development Partners accounts systems. Should be institutionalised at the local level.
- 3) Need to **improve the usability and functionality of the Aid Management Platform**, to capture off-budget information. Regular training of development partners is needed due to annual staff turnover.



Further work

- ▶ Deeper analysis of Uganda CPA to identify how much technical assistance and other funds are beyond the influence of Uganda and are “co-mingled” in the OECD CPA data. Should include Chinese flows.
- ▶ At the project level, analysis of the budgeting and execution process to uncover reasons for the information gaps. Energy and transportation projects, for example, have significant implementation delays most often in the start-up phase and before construction begins. There could be elements of overly ambitious budgeting.
 - ▶ Analysis to explain the information gap and allocation to the sectors will improve information on how the externally financed budget is utilised.
- ▶ A question that begs itself for further analysis is related to the unpacking of the Development Partners support to the social sectors. More than half of this support is tied up in health interventions (mainly HIV/AIDS and Malaria interventions), followed by education.
 - ▶ Given the importance of education, which has been curtailed, there is scope to discuss reallocation of some of the social spending to increase weight on education.



Questions

Annex: Country Programmable Aid, Disbursements, 2010-2019 (USD millions)

	2010	2011	2012	2013	2014	2015e	2016e	2017e	2018p	2019p
Official Donors, Total	1,536.2	1,430.4	1,544.0	1,680.6	1,590.8	1,523.5	1,618.2	1,654.8	1,860.9	1,868.4
DAC Countries, Total	872.9	850.1	823.4	909.6	977.5	849.7	912.5	1,016.1		
Australia	1.8	10.5	7.1	5.8	3.1	3.3	1.3	7.2		
Austria	12.3	13.4	8.6	15.6	11.3	9.5	10.1	9.6		
Belgium	19.8	8.9	16.4	11.4	17.8	12.9	12.5	12.4		
Denmark	69.3	56.8	56.7	56.0	51.3	29.6	41.9	46.5		
France	3.7	3.2	1.2	5.1	9.0	10.1	13.8	50.7		
Germany	30.2	45.5	36.0	33.3	37.1	42.3	36.9	56.4		
Iceland	3.1	3.1	3.0	4.2	3.3	3.4	4.7	5.0		
Ireland	45.0	46.3	23.1	23.6	29.1	17.4	16.2	18.2		
Japan	54.9	42.6	58.7	43.9	77.4	65.6	54.2	48.5		
Korea	1.8	2.2	3.8	11.4	12.4	23.2	27.7	29.2		
Netherlands	35.6	14.7	25.7	36.2	21.9	14.7	17.2	19.1		
Norway	59.6	57.9	44.3	54.5	54.5	37.2	34.3	17.1		
Sweden	35.7	34.5	25.1	33.3	24.0	34.1	39.4	47.1		
United Kingdom	178.5	140.7	149.0	150.8	165.1	160.6	112.0	96.9		
United States	306.2	357.3	355.6	418.4	452.1	378.8	485.2	544.4		
Other DAC Countries	15.3	12.5	9.3	6.3	8.1	7.1	5.3	7.8		
Multilaterals, Total	662.4	579.4	718.7	768.0	607.7	670.7	698.5	630.6		
EU Institutions	105.7	157.5	128.2	82.5	125.7	87.5	51.3	67.7		
African Development Fund	101.6	140.1	147.7	154.4	122.5	112.3	128.6	74.9		
Islamic Development Bank	1.0	0.4	1.0	2.4	9.7	16.8	29.6	17.5		
IFAD	19.5	17.1	22.6	28.4	15.8	15.9	12.8	17.8		
UNDP	3.4	2.8	7.5	8.2	10.1	7.7	5.9	5.4		
UNICEF	19.9	22.7	23.4	21.0	22.6	20.1	20.9	22.8		
International Development Association	327.7	176.9	196.9	364.2	176.5	224.4	177.1	260.1		
Global Alliance for Vaccines and Immunization	8.0	12.5	12.2	30.9	35.6	41.8	52.0	30.2		
Global Fund	57.2	26.0	148.5	59.7	57.1	110.9	195.6	117.3		
Other multilaterals	18.5	23.3	30.7	16.4	32.3	33.2	24.8	16.9		
Non-DAC Countries, Total	0.9	0.9	2.0	3.0	5.6	3.2	7.2	8.0		
Kuwait		-		1.1	1.8	1.4	5.9	5.4		
Other non-DAC Countries	0.9	0.9	2.0	1.9	3.8	1.8	1.4	2.6		
Private Donors, Total	22.3	38.1	31.5	39.6	50.8	45.0	48.5	87.7		
Bill & Melinda Gates Foundation	22.3	38.1	31.5	32.6	38.7	35.4	45.6	34.9		
MasterCard Foundation								33.9		
Other private donors	-	-	-	7.0	12.1	9.6	2.8	18.9		

Notes: e=estimate, p=projection. Source: Data extracted on 06 Sep 2019 13:45 UTC (GMT) from OECD Stat

