# Development Expenditure Management in Uganda[1]

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January 2002

## 1. Preamble

Over the last ten to fifteen years there have been many changes to the public expenditure management system in Uganda. Some of these changes have been in response to internal, country specific, pressures and others have responded to external changes and pressures (particularly within the international aid community). On the one hand there have been a number of institutional re-structuring exercises which have affected the Ministry/Ministries responsible for Finance and for Economic Planning (outlined in Section 2 below). On the other hand there has been 'conditionality' (associated – inter alia – with control of aggregate levels of public expenditure), and the later introduction of the Medium Term Expenditure Framework (World Bank, 1998). The World Bank's 'Comprehensive Development Framework' has been particularly influential in affecting the manner in which overall public expenditure management has evolved – integrating domestic and international funding of expenditures, as well as investment/development and recurrent expenditures (Wolfensohn, 1998; Wolfensohn 1999; World Bank, 2001a; see also Tumusiime-Mutebile's chapter in this volume). In the midst of these changes an exercise evaluating one particular part of the management system (the operations of the Ministry of Finance, Planning and Economic Development's Development Committee) took place in late-1998, and a manual indicating guidelines for the operations of the committee was prepared in early 1999, with the authors of this chapter largely responsible for both (Tribe and Wanambi, 1998; Tribe and Wanambi, 1999). This chapter outlines and discusses a number of the key issues identified by these activities in the hope that it will provide a useful record for development practitioners working in this area. It is recognised that the 1998/99 exercise took place in a constantly changing world, made explicit by Tumusiime-Mutebile's chapter in this volume.

The title of this chapter focuses on 'Development Expenditure Management', reflecting the changes which have been referred to above. The wording therefore emphasises the significance of the *resource allocation* functions of the decision-making process at both microeconomic and macroeconomic levels, rather than only the 'project design and selection' function which would focus principally on the microeconomic level. The focus on public expenditure management somewhat excludes a wide range of other government concerns within the process of socio-economic development, including its inter-relationship with the private sector and with civil society more generally.

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The next section of this chapter outlines relevant institutional changes which took place over the period 1992 to 1999. The third section discusses some of the distinctions between activities, projects and programmes in the development expenditure context. The fourth section outlines the functions of the Development Committee as originally specified, and as recommended by (and largely adopted following) the Review of Operations in 1998. The fifth section describes the changes to the membership of the Development Committee suggested in the Review. Then the sixth section focuses on the critical issue of the determination and dissemination of the criteria which should be used in the selection and design of development projects and programmes. The following section covers the broad area of the structure and content of the project briefs received by the Development Committee, and also discusses the setting of terms of reference for reports and studies relating to projects and programmes, formats of project documentation and the significance of monitoring and evaluation. The eighth section turns away from the 'micro' focus towards the role of the Development Committee in Budget formulation and Macroeconomic Management. The final substantive section discusses the role of the international aid community in development expenditure management. The chapter concludes with a review of the major points contained in the discussion.

## 2. The Background

The Government of Uganda (GoU) established a Development Committee (DC) within the then Ministry of Finance and Economic Planning in 1991 in response to a resource constraint problem associated with the allocation of Ugandan counterpart funds to commitments by the international aid community. The problem arose because of the principle adopted by a number of international aid agencies to the effect that sums committed in the form of aid to individual projects had to be matched by GoU financial contributions to the value of 10 per cent of the total project value. Because of the acute scarcity of GoU funds, and the relative abundance of international aid which was being offered, there were insufficient GoU funds to match all of the international aid which was offered conditional upon the commitment of the matching 10 per cent.[2] At one point it was calculated that the total counterpart funds required to match the aid which had been offered was several times the amount which could be allocated within the GoU budget (Whitworth, 1996: pages 17-20). In these circumstances the aid which was not matched by counterpart funds could not be dispersed to projects and so the marginal resource constraint became the counterpart or 'matching' funds. This problem has not been unique to Uganda, and for Ghana, for example, projects suffering from this funding constraint have been described as 'stalled' (Tsekpo, 1999: Chapter 3 and Tsekpo, this volume). At the margin, the scarce counterpart funds had to be allocated between competing projects, so that the initial function of the DC was to handle this issue in particular.

In 1996 the Ugandan Ministry of Finance and Economic Planning was split into a Ministry of Finance and a Ministry of Planning and Economic Development, and the DC was re-constituted as a joint committee of the two Ministries. At the same time the functions of the Committee were extended (this issue will be discussed in more detail in section 4 below). The GoU reorganised its Ministerial structure in 1997/98 in order to reduce the number of Ministries, with the Ministry of Finance, Planning and Economic Development (MFPED) being established in early 1998 in a newly merged form. Meanwhile the DC had decided to request a review of its functions and structure

within its broad responsibility for the approval of projects to be included in the GoU Public Investment Plan (PIP).

The 'Review of the Development Committee Operations', undertaken in the latter part of 1998, took the form of a radical approach to the objectives, functions and experience of the Committee in the context of control of the Development Budget (or PIP) (Tribe and Wanambi, 1998). The 'Review' was based on extensive interviews of members of the Committee, of sector officers in the MFPED (responsible for co-ordinating inter-action between Line Ministries and the MFPED), and of members of the international aid community (both bilateral and multilateral). The cooperation of these interviewees was acknowledged with thanks at the time of the Review, but it is appropriate to repeat the acknowledgement here.

One potential weakness of the Review was that officers in Line Ministries were not interviewed. The principal reason for this was that there was limited time (two weeks) to undertake the data collection stage, and it was barely possible to cover the three 'constituencies' which were interviewed in this time. In practice, the concerns of the Line Ministries were very adequately represented by the individuals who were interviewed, and the background experience of the reviewers also helped to ensure that Line Ministry interests were not omitted from consideration.[3] As a second stage of the Review process a 'Manual for the Development Committee Operations' was prepared (Tribe and Wanambi, 1999).

## 3. Activities, Projects and Programmes

Within the terminology of investment decision-making there is an hierarchy of terminology which is reflected in the logical framework method (Commission of the European Communities, 1993; Helming and Gobel, 1997, Chapter 8). *Activities* are at the lowest level, and are included systematically in network analysis and the critical path method for example. *Projects* are at a level above activities and consist of complete entities which have the capacity to deliver outcomes (while activities are likely not to be able to do so). *Programmes* are at a higher level than projects and consist of sets of projects which complement each other in providing more complex sets of outcomes. For example, within primary education an activity might be the building of the foundations for a school, or the provision of school-books; a project might be the establishment of a new, or the rehabilitation of an existing, primary school, and a programme would relate to the development of the sub-sector as a whole, including, for example, school building, teacher training and curriculum development.

Unfortunately there is no universal agreement over the terminology outlined in the previous paragraph, although there would be substantial concurrence within the professional community directly involved in the process of investment decision-making. The terminological problem is compounded by the existence of several dimensions of the word 'programme'. Some programmes are referred to as being 'sector-based – for example, primary education to continue the analogy – when they actually relate to a 'sub-sector' (primary education falls within the education sector). Other programmes are clearly sector-based – for example, the health sector – but consist of complexes of sub-sector programmes and projects which bridge the neat divides between line-ministries (for example, preventive medicine includes not only health education and vaccination but also water and sanitation improvements). In the

discussion which follows the straightforward approach outlined in the previous paragraph will be adopted.[4]

In recent years there has been a considerable shift within thinking about the management of development expenditure, largely associated with the concept of the development partnership between the international aid community and individual developing countries (see Tumusiime-Mutebile's chapter in this volume). The quotations which follow (from the GoU version of the second Poverty Eradication Action Plan (PEAP) accessed from the MFPED's Website and somewhat different to the version accessible from the World Bank's Website) illustrate the essence of the changes.

> "The enhancement of the MTEF [Medium Term Expenditure Framework – the replacement for the PIP] has encouraged donors to shift their financing toward budget support and away from project support because they are increasingly confident that the policy priorities articulated by the Government and expressed in the MTEF will be respected. In short, by contributing to the pool of resources for funding the overall budget, donors can be confident that sectors they feel are important (primary education, roads and basic health care) will be funded. Donors, notably the World Bank, are prepared to move further down this road, in shifting more of their total funding toward budget or programme support to the degree that the MTEF process is strengthened further by linking expenditures to outputs and outcomes of public service delivery. Put simply, if donors agree with the Government's spending priorities and believe that the Government spending will be cost effective, the rationale for project support is substantially weakened, which increases Government's flexibility in resource allocation."
> "A central feature of the MTEF approach is the integration of recurrent and development budgets including both donor and Government spending within sector-wide programmes. Where sector-wide approaches are being developed, existing projects are being completed but all new spending will be within the sector programme. Work has started on a more comprehensive analysis of public spending on priority areas, including the donor spending summarised in the Public Investment Programme. In future, the second volume of the PEAP will apply the programme approach, presenting a more integrated picture of Government and donor spending." (Republic of Uganda, 2000, Section 3.5 – Focusing public expenditure on poverty-eradication)

It is important to note that the change from the PIP to the MTEF, and the changed approach to development expenditure management signalled in these quotations were finalised after the Review of Development Committee Operations had been completed. The Review could not, therefore, reflect the details of the new approach. However, the recommendations of the Review are largely consistent with the new approach.

The implication of the 'sector programme' approach is that the GoU would exercise greater control over programme content and over expenditure priorities. Financial contributions from the international aid community would be fed in to the appropriate

sector programme, rather than appearing as stand-alone projects (or even programmes) with the investment expenditure (and probably much of the conceptualisation and preparation) funded by individual members of the aid community. Sector programmes would also have financial contributions from a range of aid institutions as well as from the GoU, and would integrate both development and recurrent expenditure within the MTEF approach.

Another implication of the changes is that at the level of the MFPED, and of the DC which was the subject of the Review, there would increasingly be a tendency to deal with sector programmes, integrating them within the annual Budget preparation over a three year rolling MTEF, rather than dealing with individual projects. In this sense the terms of reference for the Review of the DC were somewhat dated by the time that the Review was started. However, at the level of Line Ministries individual projects would still exist within sector programmes, and co-ordination between different Line Ministries where sectors cross 'ministerial' boundaries would be essential. For the international aid community the Aid Liaison Department of the MFPED would, logically, assume considerably greater significance.

From the viewpoint of the individual members of the international aid community 'projects' would assume less significance simply because they would be the responsibility of the implementing agencies – mainly Line Ministries within the GoU. The system for the management of international aid would implicitly have to change with even less attention to individual projects in the home institutions of aid organisations (and more attention to country and sector programmes) with the focus on projects transferred to those parts of the aid organisations located in developing countries (and interacting more directly with developing country governments and with aid liaison departments of finance ministries and with line-ministries). Development projects would not cease to exist, but their role in the expenditure management system would shift away from aid organisation headquarters and away from finance ministries, and towards line-ministries and other implementing agencies. This type of change would exert considerable pressure on the capacity of the Line Ministries and other agencies to handle project preparation effectively within sub-sector and sector programme development – a capacity which would probably require significant enhancement. It must also be recognised that substantial 'national' projects (for example significant communications investments – trunk roads, ports and harbours) would probably be sufficiently important to warrant close attention at the national – economic planning and finance – level, including proper economic analysis.

## 4. The Functions of the Development Committee

The functions of the DC were set out systematically in 1996 at the time of the establishment of the separate Ministries of Finance and of Planning and Economic Development. These functions (left-hand column of Table 1) were still in place at the time of the 1998 review, which recommended significant changes (right hand column of the Table).

The original first function, "recommending to the Minister which projects should be included in the Public Investment Plan" was left untouched.

Table 1 - Functions of the Development Committee

| Existing functions established in 1996 | | Suggested revised functions - 1998 | |
|---|---|---|---|
| i) | Recommending to the Minister which projects should receive Government support and be included in the Public Investment Plan (PIP); | i) | Recommending to the Minister which projects should receive Government support and be included in the Public Investment Plan (PIP); |
| ii) | Advising the Ministers on development policy issues (including regular reporting sessions in presence of both Ministers); | ii) | Advising the Minister on selection criteria for projects to be included in the PIP, consistent with GoU development strategies and priorities; |
| iii) | Overall supervision of the PIP process; | iii) | Ensuring that the size of the PIP is consistent with national and sectoral macroeconomic resources constraints; |
| iv) | Keeping the Ministers fully informed of new project ideas under discussion and advising on possible selection criteria for projects to be included in the PIP; | iv) | Advising the Minister on development policy implications of project proposals and adoptions; |
| v) | Ensuring that the size of the PIP is consistent with macroeconomic resources constraints; | v) | Keeping the Minister fully informed of new project ideas under discussion; |
| vi) | Screening new project proposals before they are submitted to donors for funding; | vi) | Considering new project proposals before they are submitted to donors for funding, and indicating any special issues which should be dealt with in the feasibility study; |
| vii) | Recommending resource allocations (both recurrent and development) between sectors for medium term expenditure framework; | vii) | Considering summary Monitoring and Evaluation reports from PIP projects. |
| viii) | Monitoring implementation of Government’s recurrent and development expenditure plans. | | |

Source: Tribe and Wanambi (1998)

The original second function, advising on development policy issues, was deleted. The reason for this was that ‘development policy’ is an extremely broad area, and the reviewers felt that it was best left to other parts of the government system. The work of the DC (in the limited time available in monthly meetings) could then be concentrated on the major issue of control of government expenditure, with ‘feedback’ to government from the Committee on general issues of policy (see the fourth ‘replacement’ function).

The replacement second function, advising on project selection criteria, provides a function which was not included in the original list. Many of the ‘investment criteria’ approaches had limited their advice to requiring ‘projects’ to have an acceptable ‘rate of return’. This was felt to be inappropriate – given that many projects which were being approved by the DC did not lend themselves to ‘rate of return’ analysis (see below Section 6) – and did not take account of the fact that many projects might appropriately be subjected to a form of ‘multi-criteria’ analysis. For example, if government expenditures (or interventions) have multiple objectives it is only sensible to make these explicit, and to subject projects to a form of ‘trade-off’ analysis (as regularly used by economists) so that, for example, ‘pure’ economic efficiency (through cost-benefit or cost-effectiveness analysis) might be traded off against poverty reduction, decentralisation or environmental considerations. At DC level some view of how much additional cost might be acceptable together with the achievement of these other objectives could well be expected.

The third original function, overall supervision of the PIP process, was felt to be rather too vague. The replacement function, ensuring that the PIP fits national and sectoral macroeconomic resource constraints, was felt to be much clearer, and is consistent with the positioning of the DC between the Budget Division and the Economic Affairs Division of the Ministry, mediating between the expenditure departments of government and the limitations of resource availability.

The fourth original function combined information on new project ‘ideas’ and on project selection criteria. The first of these was felt to be completely distinct from the second, and so was moved to stand alone as the new fifth function. The second was moved unambiguously into the replacement second function.

The fourth replacement function, advising on development policy implications, was felt to be particularly important, missing from the original list, and not sufficiently included in the original second function. The reviewers felt that individual projects and programmes considered by the DC were likely to raise a range of problems, many of which would be common between a range of sectors and of Line Ministries. In this way ‘cross-cutting’ policy issues could be highlighted by the Committee, despite perhaps not appearing as critical at the level of the Line Ministry. A good example of this was the common complaint that ‘projects’ collapsed after the ending of the provision of aid funds through international support – in other words these projects proved to be financially unsustainable. The complaint was so common that it obviously raised a major policy issue. The solution might be sought in several alternative areas – perhaps cost-recovery principles should be adopted (the education and health programmes come to mind), or perhaps the project preparation, design and appraisal had been inadequate in failing to identify means of ensuring financial sustainability after the ending of aid support. These questions also implied that financial

sustainability should be one of the criteria specified as a pre-condition for the acceptance of projects into the PIP or its successors, and that the DC should also increase the amount of attention that it devoted to monitoring and evaluation reports.

The fifth original function, relating to macroeconomic resources constraints, was substantially re-worded and moved to the new third function.

The sixth original (and replacement) function, screening new project proposals before submission to donors, was substantially reworded to reflect a number of issues which arose during the Review. There had been considerable concern within the GoU about 'short-circuiting' of the system, involving direct contact between Line Ministries and the donor community without consultation with the MFPED (and specifically of its Aid Liaison Department). It was felt that this increased the extent to which Ugandan public sector development programmes might be undesirably 'donor-driven'. The MFPED had, for some time, been attempting to ensure that discussions between Line Ministries and the donor community should explicitly take into account the policy and strategy priorities of the Government, and overall expenditure constraints – exercised by the DC on behalf of the Ministry and of the Government. Another important issue raised by the Review in this context was, because of the need to ensure that project proposals fitted priorities and constraints, the critical requirement for the early adoption of a more transparent approach to the setting of Terms of Reference for studies undertaken in the process of project and programme preparation. If the DC (and the MFPED) was by-passed through direct contact between Line Ministries and the international aid community then the opportunity for the application of clear Terms of Reference (related to GoU project and programme selection – and design – criteria) would be limited.

The seventh replacement function related to the consideration of monitoring and evaluation reports, which it was felt should be given much greater emphasis within the work of the DC, and which is discussed in more detail in section 7 below.

## 5. The Development Committee Review and Changes to Membership

Changes to the functions of the DC were seen as central to the purpose of the Review, but changes to the membership were also of considerable significance (indicated in Table 2). During the period when the two Ministries had separate identities – Finance on the one hand and Planning on the other – it had been necessary to reach an accommodation over the Chairing of the Committee. This had been achieved through alternating the Chair between two senior professional civil servants – the Director of the Budget (Finance) and the Director of Economic Affairs (Planning). This was regarded as a potential source for a lack of firm direction for the Committee's activities, and therefore the Deputy Secretary to the Treasury was made the Chair, with the two Divisional Directors remaining on the Committee as Deputy Chairs.[5]

At the time of the Review the Secretary to the Committee was one of the Sector Officers (universally economists) from the MFPED, with limited clerical assistance from the Aid Liaison Department. The previous Secretary held a similar, but slightly more senior, position in the Ministry. This limited the effectiveness of the servicing of the DC, and it was hoped that the transfer of the Secretarial role (professional) and

the clerical functions to the Budget Policy and Evaluation Department of the MFPED would strengthen the Committee.

In part a) of Table 2 (before the Review) it can be seen that the membership of the DC was essentially limited to senior staff of the MFPED together with senior representatives from the Offices of the President and of the Prime Minister. Economic Advisers (mostly expatriate) attended Committee meetings as observers. This composition of the Committee was criticised in the Review on two grounds – both of which received considerable support from all of those consulted during the Review Process.

The first criticism was that GoU policy (and strategy) had evolved within the years prior to the Review to place very considerable emphasis on i) poverty reduction[6], ii) protection of the environment in the long term, and iii) decentralisation. The membership of the Committee at the time of the Review did not reflect these 'constituencies' within the governmental structure. For the first it was difficult to find a specific institution within the governmental structure which could be perceived as representing the 'poverty reduction' constituency – however, the focus of government policy and strategy had changed so considerably in order to directly address the poverty issue that the reviewers felt that the representation of the Offices of the President and of the Prime Minister could be interpreted to represent the primacy of the poverty reduction objective of the government. For the second, environmental protection, it was a simple matter to add a representative of the National Environmental Management Agency (NEMA) to the membership of the Committee. NEMA is the governmental body charged with ensuring protection of the environment, with its own very clearly specified guidelines (Republic of Uganda, 1998). For the third concern, decentralisation, the addition of a senior member of staff from the Decentralisation Secretariat (within the Ministry of Local Government) was felt to be appropriate, and again this public body has its own guidelines for the management of projects (Republic of Uganda, 1996).

The second criticism was that the DC composition did not permit direct and full consultation with the Line Ministries during the monthly deliberations. Line Ministries' views were only represented indirectly by the MFPED Sector Officers who were called to Committee meetings. The criticism was based on two particular concerns – i) because the Sector Officers were professional economists they were unable to respond to questions relating to technical issues – on which professional officers from Line Ministries could respond if present at Committee meetings at the relevant time, and ii) because the Sector Officers (and economists within Line Ministry Planning Units) had a prime professional and institutional loyalty to the MFPED any 'Line Ministry institutional view' might not be adequately represented during DC deliberations. These criticisms were answered in the Review through a) adding direct representation of Line Ministries for 'timed business', and b) adding direct representation of the international aid community (where there had been considerable consultation between the Line Ministry and bodies within this community during project and programme preparation), again for 'timed business'.

**Table 2 – Members of and Attendance at the Development Committee**

a) Before the Review

Chair – Director, Economic Affairs Division, MFPED
Alternate Chair – Director, Budget Division, MFPED
Secretariat – Professional staff from the Economic Staff, MFPED
Members –
Commissioner, Macroeconomic Policy Department
Commissioner, Economic Development Policy & Research Department
Commissioner, Budget Policy and Evaluation Department
Commissioner, Aid Liaison Department
Commissioner, Public Administration Department + Assistant Commissioner
Commissioner, Infrastructure and Social Services Department + 2 Assistant Commissioners
Representative from the Office of the President
Representative from the Office of the Prime Minister
Economic Advisers (not part of the quorum)
MFPED Sector Officers called for consultation

Note: The quorum for a DC meeting is five of the core members.

b) After the Review

Chair - Deputy Secretary to the Treasury
Deputy Chairs - Director, Budget Division
- Director, Economic Affairs Division
Secretariat - Professional staff from the Budget Policy and Evaluation Department, MFPED
Members -
Commissioner, Macroeconomic Policy Department
Commissioner, Economic Development Policy & Research Department
Commissioner, Budget Policy and Evaluation Department
Commissioner, Aid Liaison Department
Commissioner, Public Administration Department + Assistant Commissioner
Commissioner, Infrastructure and Social Services Department + 2 Assistant Commissioners
Representative from the Office of the President
Representative from the Office of the Prime Minister
Representative from the National Environmental Management Authority
Representative from the Ministry of Local Government/Decentralisation Secretariat
Economic Advisers (not part of the quorum)

Notes: a) The quorum for a DC meeting is five of the core members.
b) Alternate committee members will be nominated
c) Attendance for timed business:
- MFPED Sector Officers
- Line Ministry professional Staff (including Ministry Planning Units)

Donor Community personnel relating to specific projects & programmes

Source: Tribe and Wanambi, 1998 and subsequent communications.

6. Project and Programme Selection and Design Criteria

Reference has already been made to the condition that projects had been required to have an acceptable economic performance in order to be included in the PIP. This has been a fairly common stipulation and, for example, Ghana's initial PIP contained this requirement (Republic of Ghana, 1987: page iv).[7] The DC Review considered the issue of criteria for inclusion in the PIP very carefully, and, although agreeing that economic viability is a prime objective for all public sector expenditures it was felt that other factors and considerations are also important.

Many public sector expenditures are on projects and programmes which do not have any readily quantifiable outcomes (in monetary terms at least). Although there have been considerable refinements to expenditure appraisal methods in recent years, the economic rate of return is not unambiguously calculable in many cases. Table 3 consists of an estimated classification of the GoU's 1996/97 to 1998/99 PIP undertaken by the authors, with an attempt to distinguish between the types of projects which were amenable to economic rate of return analysis, and those for which this would be difficult or impossible. Those in the latter category have been described as 'non-tangible' and amounted to over 70 per cent of the 340 projects included in the PIP.

**Table 3 – Projects with Tangible and Non-Tangible "Outcomes" in the Uganda Public Investment Plan 1996/97 to 1998/99**

| Sector | Tangible Outcomes (%) | Non-Tangible Outcomes (%) | Total Number of Projects |
|---|---|---|---|
| Agriculture | 78.7 | 21.3 | 47 |
| Education | - | 100.0 | 28 |
| Health | - | 100.0 | 41 |
| Industry | 12.5 | 87.5 | 8 |
| Mining | 70.6 | 29.4 | 17 |
| Multi-sectoral | 27.3 | 72.7 | 33 |
| Natural Resources | 13.3 | 86.7 | 30 |
| Public Administration | 10.0 | 90.0 | 50 |
| Other Social Infrastructure | - | 100.0 | 30 |
| Transport | 67.5 | 32.5 | 40 |
| Water | - | 100.0 | 16 |
| Total | 27.9 | 72.1 | 340 |

Notes: Tangible Outcomes are those where there are established principles for their valuation so that Cost-Benefit Analysis can be employed, and Non-Tangible Outcomes are those where there are no established valuation principles so that Cost-Benefit Analysis cannot be used.
Source: Republic of Uganda, 1997a – categorisation by the authors.

A second issue was that in an increasing number of cases the DC was in the position of considering Programmes rather than Projects, although it had been constituted to deal with Projects. Inherently, such Programmes, covering sub-sectors or sectors of the economy (for example primary education, trunk roads, or agriculture) and consisting of sets of individual projects, are not amenable to the type of economic rate of return analysis which is customary with individual Projects. Essentially then the DC

was increasingly being presented with what might have been regarded as a *fait accompli* with only limited discretionary power involving acceptance, rejection, or referral back to the Line Ministry. This involved no direct problems provided that the Programme as a whole and the individual Projects of which it consisted were consistent with a) the economic performance criteria laid down by the GoU, b) GoU public expenditure constraints, and c) the major aspects of GoU policy (see Table 4). Problems would only arise where there was inconsistency. This situation led to two responses within the context of the Review which will be discussed in the following paragraphs.

**Table 4 – Criteria for inclusion in the Public Investment Plan**

In order to be approved for inclusion in the PIP projects and programmes need to satisfy the Development Committee in three areas:
A) The project or programme should be internally consistent, well-prepared, and demonstrate that it has the capacity to achieve its objectives efficiently;
B) The project or programme should be consistent with the policies and priorities of the Government of Uganda (GoU);
C) The development expenditure, recurrent expenditure, and counterpart funding expenditure should be consistent with the GoU budgetary resource constraints, and should have a clear indication of the expenditure implications in the following areas:

- Development expenditure
- Recurrent expenditure
- Counterpart funding
- GoU contributions in kind

Source: Tribe and Wanambi, 1999.

Increasingly, the international aid community has tended to work within the context of Programmes rather than individual Projects. For example, commitments might be made to contribute to capital expenditure within the development of the government's primary school development programme, or the development of major trunk roads. Individual schools, and individual trunk roads, still need to be regarded as projects for effective expenditure and programme control, but investment criteria in the case of primary education development would be considered at the level of sub-sector development[8], and in the case of trunk road development would be considered for individual roads in the process of putting together the overall sub-sector programme[9]. Projects would then arrive at the DC to be considered for inclusion within the PIP as part of a package (or Programme).

Two further implications follow logically from the line of argument that the Review took. First, it was clear that the economic efficiency criterion, implied by the simple primacy of the rate of return criterion, was not an adequate specification of the requirements that projects (or programmes) should demonstrate before being included in GoU expenditure (i.e. inclusion in the Budget and in the PIP). It was therefore necessary to specify the criteria which projects and programmes should be required to demonstrate more clearly – an issue of transparency and good governance. Second, if the DC was in the position of judging projects and programmes submitted by Line Ministries, and if it could reject such projects and programmes on the grounds that its required criteria had not been satisfied, then it made sense to make these criteria much more widely explicit *before* these projects and programmes were prepared

rather than afterwards. This implied that the Line Ministries should be informed more openly about the criteria. To the extent that the international aid community co-operated with Line Ministries in project and programme preparation (for example through funding the employment of private consultants) and where it anticipated being involved in joint funding of implementation of the projects and programmes together with the GoU, then the international aid community (and the private consultants) also needed to be informed more clearly about the DC's (i.e. the GoU's) project and programme selection and design criteria. These issues will be pursued further in later sections of this chapter.

**Table 5 – Multiple Criteria in Project Analysis**

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All Project documentation would be required to include information under each of the principal criteria:

i) Technical viability
ii) Financial sustainability
iii) Economic viability
iv) Environmental acceptability
v) Social acceptability (participatory analysis)
vi) Institutional sustainability
vii) Relevance to the GoU poverty eradication objectives
viii) Relevance to the GoU decentralisation objectives
ix) Acceptable levels of risk/uncertainty

None of these criteria would be exclusive, so that if a project failed to address poverty eradication objectives it would not automatically be rejected. Equally, if a project marginally failed to satisfy the economic viability criterion it would not automatically be rejected. This meant that projects would have to demonstrate an <u>overall</u> performance against these criteria acceptable to the Development Committee.

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Source: Adapted from Tribe and Wanambi, 1998.

To a large extent the broad range of criteria which projects and programmes need to demonstrate has been embedded in the project analysis literature for many years. In their authoritative book Baum and Tolbert (1985, pages 391-540) devoted most of a section – six chapters – to the areas of technical, economic, financial, social, institutional and environmental viability, and the third edition of the UK Overseas Development Administration's guide for economists emphasises the broader elements of project preparation (MacArthur/ODA, 1988, pages 11-12). However, the Review attempted to elaborate on the existing literature, specifying the set of criteria which have been included in Table 5.

Some of these criteria need a little more explanation. For example, the significance of financial sustainability had arisen, for public sector projects, through the financial collapse of projects after the end of external funding support through international aid. The Reviewers were of the view that this problem was most likely to arise through the poor quality of project preparation, so that no adequate alternative structure of funding would have been designed into the failing project before it was implemented. The problem is associated in part with the cross-cutting issue of 'cost-recovery', and is a good example of the reason why expenditure management based solely on a project approach (or even an individual sector or Line Ministry approach) is inadequate if such broader issues affect most economic sectors.

Participatory analysis of projects and programmes is an approach which has become very popular, particularly for the social development sectors and in an increasingly decentralised system. The Reviewers felt that this needed to be recognised centrally, so that wherever appropriate one of the criteria to be used across the preparation and design of all expenditure programmes would be the adoption of participatory principles – and this would also apply to monitoring and evaluation activities. In many respects the participatory approach to social development projects, in particular linked to the increased adoption of the 'process' approach (as opposed to the 'blueprint' approach) to the design of projects (Overseas Development Administration, 1995: pages 94-113).

Another element of the public policy context was the UNDP-funded "Vision 2025" exercise – described as a National Long Term Perspective Study. This study ran from early 1997 until the early 1999, and was charged with providing a broad outline development framework for Uganda over the period to 2025 (Republic of Uganda, 1997c). Although these long term considerations are of great significance at the time of the Review the means of integrating them into the national planning process had not been completely resolved, and was linked to the establishment of a National Planning Authority (which had been incorporated into the Constitution (Republic of Uganda, 1995, Chapter 7 Article 125).

One of the principal methodological implications of this discussion is that there is no one investment (or decision-making) criterion which can be regarded as over-riding all others. Even if projects (and programmes) should have economically acceptable characteristics, they also have to satisfy other criteria in order to be acceptable. This has led to the development of the concept of "multi-criteria analysis" (MCA), which has a number of different forms, several of which are reviewed in an appendix (on Multi-criterion Decision Analysis) to Snell's book on Cost-Benefit Analysis (Snell, 1997: Appendix F). However, perhaps the most essential points is the distinction between "goal" and "veto" criteria. "Goal" criteria are those where projects or programmes should include particular characteristics (e.g. generation of employment for unskilled labour, or design based on participatory principles), but where there is not a binding requirement. "Veto" criteria are those where projects and programmes are required to include particular characteristics (e.g. to have successfully achieved pre-determined standards for economic, environmental or social criteria) and where projects and programmes which do not meet these standards will be rejected (van Pelt, 1991: page 13; Potts, 2002, Chapter 14). Some analysts have attempted to produce combined criteria based on the adoption of weights for a range of project or programme characteristics (both Snell and van Pelt summarise some of this work) and an attempt was made in 1997/98 to develop a weighting system for the MFPED, but the outcome was rejected on the grounds of impracticability.

## 7. Project Briefs, Terms of Reference, Formats of Project Documentation, and Monitoring and Evaluation

At the outset of the Review process the most immediately obvious change required was to the structure and content of the "Project Briefs" considered by the DC. These briefs had contained insufficient information for informed decision-making by the Committee, and the information and structure was patchy and inconsistent. A

memorandum from a high level within the Ministry had been circulated earlier in 1998 on this issue, but there had been insufficient time, and an insufficiently structured system, to ensure its implementation. One of the initial recommendations of the Review was therefore that a considerably revised and much more elaborate Project Brief should be adopted – there was considerable agreement within the Ministry about this and on the new proforma which was recommended.

For the work programme which was anticipated for the post-Review DC three types of Project Brief were designed. Prior to the Review only one type of Brief was placed before the Committee – a sketchy summary of the main characteristics of the project of programme being considered for inclusion in the PIP. The Review suggested that there was a need for briefs systematically summarising a) the main outline characteristics of "pre-proposals" before the main preparation had taken place (consistent with function v) indicated in Table 1 above); b) the main characteristics of the project or programme being proposed for inclusion in the PIP (consistent with function i) indicated in Table 1 above); and c) the main findings of monitoring and evaluation reports (consistent with the new function vii) indicated in Table 1 above).

The proposed system of Project Briefs, and the revision to the functions of the DC, were effectively intended to make the Committee the focal point of a more effective 'Project, Programme and Development Expenditure Management System' for the GoU. Only with the strengthened management functions, membership and information flows could the DC have the role which was clearly intended by the highest levels of the MFPED (and by implication, by the Cabinet). This strengthening could also be regarded as being consistent with the objectives of the international aid community to increase the extent of ownership and control of Ugandan development programmes by the GoU. These objectives related to a reduction of the extent to which these development programmes were 'donor driven' – also a concern of the World Bank's Comprehensive Development Framework approach (Wolfensohn, 1999; Helleiner, 2000; World Bank, 2001a). The international aid community referred to here consists of institutions such as the World Bank, UNDP and the bilateral and multilateral ODA (Overseas Development Assistance) community – meeting regularly with GoU representatives to review progress with international aid supported development programmes (see Tumesiime-Mutebile, this volume).

Another element of the strengthening of the Ugandan control of development programme was the recommendation of the Review that greater attention should be given to the specification of the Terms of Reference for pre-proposals, feasibility studies and other project and programme documentation (including monitoring and evaluation reports). A high proportion of the reports and other studies relating to development projects and programmes in Uganda have been prepared by consultants (increasingly Ugandan, but still with a large international component), often commissioned by international aid agencies. In many cases the process of commissioning such consultants gives an only limited opportunity for the criteria outlined above in Tables 4 and 5 to be consistently reflected in the Terms of Reference. The Review recommended that a clearer control of the specification of such Terms of Reference should be exercised by the DC, thus ensuring that GoU policy priorities and objectives should be more effectively represented. It is important to note that where economic analysis of projects or sectors/sub-sectors involves the use of 'shadow prices' then the Terms of Reference should explicitly include an

instruction on the prices to be used, rather than leaving this significant parameter to the discretion of the consultants.[10]

One of the major difficulties faced by the GoU in managing its liaison with the international aid community (apart from the limitations imposed by – for example – staffing levels and morale) has been the diversity of methods and practices exercised by the international aid community. Understandably, each member of this community wishes to manage its development interventions effectively, thus ensuring that the interests of its own home electorate and aid institutions are protected. However, the variations on formats and approaches have made management of developing country aid programmes more difficult than necessary. A comparatively minor example are the various formats of the basic logical framework matrix used within the international aid community. An implication of the adoption of greater control by Ugandan institutions of Ugandan development programmes (and for other developing countries as well) is the need for greater international standardisation, simplification and agreement on the formats to be adopted for project and programme studies and reports of various types.

Finally, in this section, it is necessary to focus on the increased incidence of monitoring and evaluation reports within the management of international aid programmes, and of the development programmes of countries in Uganda's position. Monitoring and evaluation is considered to be essential for the assessment of the extent to which individual projects and programmes have been effectively (and properly) implemented, have achieved their objectives, and also for the identification of impacts and possible follow-up activities (i.e. future projects and programmes) (see particularly Cracknell, 2000: Chapter 2). However, the GoU has neither the staffing nor the funds to undertake monitoring and evaluation on the scale which is perceived to be appropriate. The staffing gap can be filled by domestic or international consultants (for preparatory studies and other reports) but the only effective means of filling the funding gap has been to depend on the international aid community. Inevitably, there will be those who view the entire process of monitoring and evaluation which has been taking place in recent years as excessive, poorly co-ordinated, and of uneven quality. However, it cannot be doubted that the identification and follow-up of strengths and weaknesses of project and programme preparation, implementation and operation, and a similar process for cross-cutting issues, are essential for the good management of aid programmes, and of developing country development programmes as a whole. It is therefore important that, if the DC is to exercise effective influence over the management of these programmes, it should take a clearer role in the monitoring and evaluation process than had occurred before mid-1998.

## 8. The Budget and Macroeconomic Management

Within the functions of the DC it was made clear that the Committee was given a large share of the responsibility for the management of expenditure within overall budget constraints (see the revised function iii) and old function v)). Thus, the Committee exercises control at a 'microeconomic level' in terms of the extent to which individual projects and programmes satisfy selection and design criteria. In addition, the Committee exercises of control at a 'macroeconomic level' to ensure that the total government expenditure implied by the adoption of new projects and programmes does not exceed the resource envelope represented by total government revenue (i.e.

essentially domestic tax revenue plus aid receipts). It is conceivable that a new project or programme might satisfy all of the microeconomic criteria only to be rejected on the grounds that the associated expenditure commitments break budget guidelines (i.e. the macroeconomic criteria).

At the time that the Review took place the GoU was in the process of moving from the PIP approach to development expenditure management towards the MTEF (Medium Term Expenditure Framework) approach[11]. It has already been made clear that the GoU had experienced difficulty in using all of the international aid made available to it due to the counterpart funding constraint in the late 1980s and early 1990s. In addition to counterpart funding the GoU has, of course, also to provide the funding for recurrent expenditure commitments for the operational phase of development programmes (e.g. staff salaries in labour intensive operations such as primary education). One of the major shortcomings of the Project Briefs considered by the DC prior to the 1998 Review was that they contained no information on the counterpart funding or recurrent expenditure implications of new projects or programmes. A major recommendation of the Review was therefore that this information should be provided within Project Briefs by the responsible Line Ministries in co-operation with MFPED Sector Officers in future. In the first instance expenditure commitments three years ahead were to be estimated consistent with the time frame of the MTEF approach to budgeting.

The GoU financial year runs from July 1st to June 31st. Inevitably, therefore, there is considerably pressure to assemble a coherent and consistent Budget (at both microeconomic and macroeconomic levels) within the second quarter of the year. It is at this stage that many of the adjustments to expenditure levels for individual projects and programmes (and, perhaps, postponements) take place. The World Bank's Poverty Reduction Strategy Paper Sourcebook has clearly set out the process of budget preparation diagrammatically (World Bank, 2001b: Figure 1 page 5). However, although this budget process takes place once a year within an annual cycle, the preparation and consideration of individual projects and programmes takes place continuously throughout the year. There is therefore something of a mismatch between the budget preparation process which has been compressed largely into a period of about 3 months, and the development programme preparation process which is continuous.

The GoU has handled this problem by distinguishing between the budget process per se, which is the responsibility of the Budget Sub-Committee of the DC, and the development programme management process, which is the responsibility of the DC as a whole. While this is not an entirely satisfactory division of functions it is better than having a budgetary process which concentrates the management of development expenditure within a 3 month period, without allowing for longer term considerations. These longer term issues include decision-making criteria, the matching of government policy objectives with these criteria, the adoption of innovations within the management process (such as the requirement for more elaborate Project Briefs), and the enhancement of monitoring and evaluation, which have been outlined in other sections of this chapter.

The management of the macroeconomic resource constraint is an exceptionally important responsibility, particularly in a context where the international community has been concerned to emphasise the significance of keeping government

expenditure within the resource envelope constraint (i.e. keeping expenditure within guidelines without running a government deficit).

## 9. The Role of the International Aid Community

At the time that the Review of DC Operations was undertaken the international terminology surrounding the aid relationship was on the point of changing. For many years the custom had been to refer to international aid institutions as 'donors', and to refer to the developing countries receiving aid as 'recipients'. This terminology is suggestive of an asymmetrical relationship between the more powerful donors and the more dependent recipients. Indeed, there are definitional questions around the term 'donors' where loans are involved[12], and the move away from the terms donors and recipients and towards the term 'development partnership' (which is explained clearly for the Ugandan context by Tumusiime-Mutebile in another chapter in this volume) reduces the need for some explanations. While the changes in terminology, and the increasing parity in the management of international aid between developing countries and the international institutions, are to be welcomed, there is still a need to find words to describe what are still 'two sides' in the partnership. The changes also coincide with an increasing role for regional economic institutions in the developing world, such as the African Development Bank, the Organisation of African Unity, the Economic Commission for Africa, and the East African Community within the aid relationship.

There have been other changes which have more fundamental implications for the management of international aid. The move towards a greater emphasis on sector and sub-sector development programmes within aid management, and away from the primacy of stand-alone projects, has implied the commitment of funds from several aid institutions to individual sector programmes. For example, the 1996/97 to 1998/99 Ugandan PIP contained three project profiles for Primary School rehabilitation and development. The first, ED11 (A and B) had a significant Japanese contribution to the capital expenditure component, the second, ED11 (C) had full funding of the capital component by DANIDA, the Danish aid agency, and the third, ED11 (D) had a substantial long-term capital financing contribution from USAID. The total capital cost of these three projects amounted to nearly US$40 million, of which about one-third had been identified as a funding gap (Republic of Uganda, 1996: pages 115-122). Other aid institutions have subsequently made commitments to the capital cost of developing primary education. In this context it has become increasingly impossible to identify any one aid institution (e.g. JICA, DANIDA, USAID, DFID, EU etc) with the development of any particular sector or sub-sector of the economy or with individual development projects. This creates a certain dichotomy between, on the one hand, the desire of the international aid community to emphasise the importance of a sectoral/sub-sectoral approach to development assistance, and, on the other hand, a desire to retain an identity between specific contributions on the ground (e.g. a school building) and funding provided by a particular institution.[13]

This blurring at the edges represented by the increased emphasis on sector/sub-sector development programmes is further evidenced by the preparedness of international aid institutions to increase their commitments to the financing of recurrent expenditure in, for example, primary education and the decentralisation of a range of activities which were previously the direct responsibility of central government Line Ministries. This change in the nature of international aid is one of the factors implied

by Easterly in his thought-provoking article on the basis for the estimation of international aid requirements (Easterly, 1999).[14] At the time of the 1998 Review it was estimated that as much as 40% of Uganda's Development Expenditure might be transferred to the Districts, covering Primary Education, Agricultural Extension Services, Rural Water Supply, Primary Health Care, and Rural Feeder Roads. This radical approach to decentralisation has, of course, very significant implications for public expenditure finance (Livingstone and Charlton, 2001), for public expenditure control, and for the management of international aid. The significance of the inclusion of representation of the Decentralisation Secretariat of the Ministry of Local Government in the Ugandan DC (see Table 1) becomes clearer in this context.

## 10. Conclusions – The Broader Context

The Review of DC Operations which this chapter reports demonstrates the speed with which the institutional framework within which development expenditure management, and international aid administration, changes. Over a period of less than four years there has been a movement from PIPs, through MTEFs, to a point where MTFFs are being canvassed. From a point where terms of reference for DC Operations referred unambiguously to the primacy of development projects, both the MFPED and international aid headquarters are now referring unambiguously to the primacy of sector programmes (including cross-cutting issues). In this context not only might this chapter be out-of-date by the time that it is published and in wide circulation, but the very objective of publishing manuals and texts in the conventional manner is threatened when completely new frameworks, and fresh revisions and editions, can be readily published on the World Wide Web at short notice. Even on the Web, in order to be completely up-to-date it is necessary to check the relevant websites regularly and frequently. The speed of change makes it difficult to settle on any particular methodology for both 'in house' training and more widely in university and other high level training courses.

The changes which have occurred recently in the overall approach to expenditure management and international aid administration imply that the DC will be devoting less attention to individual projects, and more to sector and sub-sector programmes. In doing this, the DC will have to satisfy itself that the projects contained within sector programmes have been properly prepared, and that the expenditure estimates for inclusion in the MTEF (and in the annual Budget exercise) are as reliable as possible. In this context the DC will doubtless have an increasingly important role in clarifying the socio-economic criteria which should be used by Line Ministries and international aid institutions (and by consultants employed by these institutions) in preparing development projects and programmes. An additional role will be in emphasising the clearer specification of terms of reference for preparatory studies, including the socio-economic criteria previously mentioned. The increasing significance given to monitoring and evaluation studies implies that the DC will need to devote more attention to their results, both for effective control of public expenditure and policy interventions, and for the identification of cross-cutting issues.

In the context of the Comprehensive Development Framework, of its successors and the evolving Development Partnership between the international aid community and developing countries, the role of institutions such as the DC in clarifying and defining the position of developing country governments will be very important. Not least,

bodies such as the DC have a critical role in increasing the degree of 'transparency' in expenditure management, and in improving the quality of 'governance' in developing countries.

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## Glossary

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| DANIDA | Danish International Aid Agency |
| DAC | Development Assistance Committee of the OECD |
| DFID | UK Department for International Development |
| GoU | Government of the Republic of Uganda |
| MFPED | Ministry of Finance, Planning and Economic Development, Kampala |
| MTEF | Medium Term Expenditure Framework |
| MTFF | Medium Term Fiscal Framework |
| NEMA | National Environmental Management Authority, Kampala |
| OAU | Organisation for African Unity |
| OECD | Organisation for Economic Cooperation and Development |
| PEAP | Poverty Eradication Action Plan |
| PIP | Public Investment Programme |

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| PRSP | Poverty Reduction Strategy Paper |
| UNDP | United Nations Development Programme |
| UNICEF | United Nations International Childrens' Emergency Fund |
| USAID | United States Agency for International Development |

## Footnotes

1. A considerable amount of the information on which this chapter is based was collected during the "Review of the Development Committee Operations" undertaken as a consultancy assignment in late 1998 by the two co-authors for the Government of Uganda (GoU), funded by the United Nations Development Programme, on behalf of the Development and Project Planning Centre (renamed as the Bradford Centre for International Development in September 2001), University of Bradford. We are grateful to the GoU for permission to use the information and conclusions associated with the Review in this chapter. We are also grateful for the considerable co-operation extended by the international aid community and by GoU officers. This chapter was largely drafted by Michael Tribe on the basis of the information base and findings of the Review, and although Nelson Wanambi concurred with the overall approach of the discussion there may be individual points on which his view would differ in detail. The usual disclaimers apply.

2. The reason for the insistence on counterpart funding being provided by the recipients of international aid is largely based on the view that the recipient countries should themselves make some contribution towards the funding of the projects concerned..

3. The fact that the Review recommended that representatives of the Line Ministries should be present at meetings of the Committee for discussion of their individual projects and programmes is evidence of this. MFPED Sector Officers had previously been responsible for presentation of proposals from the Line Ministries, and for reporting back to the Ministries after the deliberations had been completed. This practice placed technical and other Line Ministry staff in a 'gold-fish bowl' position, being unable to answer any questions at the time that decisions were being considered, slowing the process of consideration (encouraging referral back to the proposers when questions could have been answered first time around), and making the entire process opaque rather than transparent. Following the Review senior GoU officials also extended the invitation to attend Development Committee meetings beyond Line Ministry representatives to include relevant officials from the international aid community in order to further improve transparency (see Tumusiime-Mutebile's chapter in this volume).

4. To further complicate the terminology the international aid community has a further layer of 'programmes' – such as the European Union's 5-year Indicative Country Programmes, and the UNDP's and UNICEF's 5-year Country Programme. These are clearly in a different category of 'programme' to the sub-sector and sector programmes referred to in the Ugandan PEAP in the quotations which follow.

5. It should be emphasised that there had been considerable continuity within the group of individuals holding the senior posts in the unified MFPED, and that working

relationships had been made even easier through the re-location of the senior elements of the combined Ministry in one building after the unification in early 1998.

6. The 'poverty focus' of the government was principally represented by the ***Poverty Eradication Action Plan*** (Republic of Uganda, 1997b) which replaced the previous 'development planning' approach, and was intended to replace the ***Public Investment Plan*** (which had been a major focus of the work of the Development Committee) (Republic of Uganda, for example 1997a).

7. "The selection of projects for the PIP was based on the Economic Rate of Return (ERR) and the Cost Effectiveness Criteria. The ERR criterion was used for the selection of 'core' projects in the productive and economic infrastructure sectors. Large projects over US$5.0m were required to have minimum ERR of 15% to qualify for inclusion in the 'core' PIP. In the case of social sector projects, where the ERR criterion was not appropriate, the cost effectiveness technique was applied in their selection into the 'core' PIP." (Republic of Ghana, 1987: page iv). A similar approach was evident in Uganda, but in the cases of both countries there is considerable doubt over the extent to which the economic analysis implied by these principles was consistently applied in practice (Tribe and Wanambi, 1998; Tsekpo, 1999: Chapter 2).

8. There has been considerable controversy over the calculation of 'private' and 'social' rates of return to education investment in developing countries in recent years, and over the establishment of appropriate criteria for investment in the education sector as a whole. However, there has also been fairly widespread agreement that primary education development not only has a relatively high 'social' economic rate of return, and is also an effective means of achieving poverty reduction objectives through improved literacy and numeracy, contributing to increased labour productivity across the population as a whole. In Uganda this has been reflected in the priority given to UPE (Universal Primary Education) by the government, and by the international aid community.

9. In recent years trunk road development programmes in developing countries, not least in Uganda, have usually been prepared using the World Bank's "Highway Development and Management Model" within the relevant Line Ministry. This has a tendency to produce a Trunk Road Development Programme which is rather like a "Black Box", making 'unscrambling' of individual component projects of the programme difficult.

10. This point is made in the report on the Review of Development Committee Operations (Tribe and Wanambi, 1998) and in the Manual which followed (Tribe and Wanambi, 1999: Chapter 7) indicating that this approach was acceptable to senior professional staff in the MFPED.

11. More recently a MTFF (Medium Term Fiscal Framework) approach has been suggested as a logical development from the MTEF (see for example Booth et al, forthcoming). The difference between the two is that the MTFF includes consideration of government revenue constraints and well as overall expenditure commitments.

12. In order to qualify as aid such loans are required to have a grant element of at least 25 per cent, as defined by the Development Assistance Committee of the OECD.

The discount rate used by the OECD in calculating the grant element is 10 per cent. (OECD, 1985: page 172; OECD, 1998, pages 110-111).

13. The link between financial contributions made by particular aid institutions and particular physical assets on the ground might be desirable for domestic public relations in the 'donor' country, or for effective management of the 'donor' country's aid programme. This pressure towards a retention of the 'project', and against a universal move towards more 'donor' anonymous sector/sub-sector programmes, may be denied by 'donors' but are unambiguously reported by 'recipients' – but this issue has arisen since the Ugandan Review which is reported in this chapter, and does not directly involve Ugandan information.

14. Easterly's elaborate argument in his article "The Ghost of Financing Gap" (Easterly, 1999) relies on statistical analysis to demonstrate the lack of connection between aid volumes and rates of economic growth in developing countries. Implicitly, but not explicitly, his argument does not isolate international aid expenditures which are not related to capital formation – such as technical assistance and budget support – as a major explanation for the absence of a statistical connection between aid volumes, capital accumulation and economic growth.