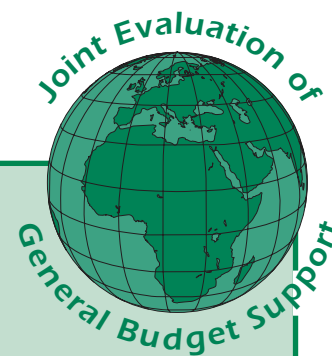


Partnership General Budget Support Support: Uganda Brief



The Joint Evaluation of General Budget Support 1994–2004 was commissioned by a group of 24 aid agencies and 7 partner governments to assess to what extent and under what circumstances GBS is relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth.

This independent study was led by the International Development Department of the University of Birmingham. Its outputs are a Synthesis Report, and seven country case studies, for Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, and Vietnam.

Origins and organisation of PGBS in Uganda

Uganda was a pioneer in PGBS, which was underpinned by:

- The system of medium term expenditure planning developed by a strong ministry of finance and planning which has taken the lead in donor coordination.
- The Poverty Eradication Action Plan (PEAP) which was the forerunner of Poverty Reduction Strategy Papers.
- Heavily Indebted Poor Countries (HIPC) debt relief – for which Uganda was the first country to qualify.
- The Poverty Action Fund: this was a presentational device to show that HIPC relief was being used to expand pro-poor expenditures.

Most PGBS in Uganda, including the World Bank-led Poverty Reduction Support Credit (PRSC), is completely unearmarked. Other budget support instruments are linked to sector dialogue or to the Poverty Action Fund. In practice, they add to the government's discretionary expenditures and also count as PGBS.

PGBS has been part of an elaborate structure of dialogue and coordination, including direct involvement of donors in the national budget process, sector-level dialogue through sector working groups, and an annual PRSC timetable. The PRSC acts as the focal point for the wider set of PGBS instruments.

By 2003/04, 13 different donors were providing PGBS; they were operating 34 different budget support programmes, of which 25 were for sector budget support.

How much PGBS did Uganda receive?

Total PGBS grew from USD 66m (7% of official aid) in 1998, to USD 409m (31% of official aid) by 2004 (see Table 1).

Between 2000 and 2003 there was a large absolute and relative increase in programme aid, which reached, and remains at, well over 50% of on-budget aid flows. PGBS funding has risen to a level of about 25% of central government expenditure.

What were the benefits?

PGBS supported higher total and pro-poor expenditures. Additional spending was largely channelled towards basic services delivered by local governments and PGBS thus accelerated decentralisation.

PGBS led to more efficient expenditure: it focused spending on government priorities, with a better balance between recurrent and capital expenditure, and a higher proportion of funds going to service providers.

Through the use of government systems, PGBS helped to strengthen systemic capacity in public finance management. Additional on-budget resources led domestic stakeholders, including parliament, to take sector strategic planning and budgeting even more seriously.

As PGBS is disbursed using government systems, it costs less to administer. Joint PRSC and sector dialogues reduce duplication, although they can be unwieldy.

PGBS helped to strengthen overall and sector policy dialogue and analysis. Donors influenced the involvement of a wider range of stakeholders (including civil society) in policy processes.

Macroeconomic management was already strong, but PGBS helped to maintain fiscal discipline and supported a generally positive macroeconomic environment.

Income poverty cannot be simply correlated with aid or PGBS in particular. The proportion of Ugandans below the national poverty

What is Partnership General Budget Support?

General Budget Support (GBS) is aid funding to government that is not earmarked to specific projects or expenditure items. It is disbursed through the government's own financial management system. Although the funds are not earmarked, they are part of a package which includes dialogue and conditions, technical assistance and capacity building, and donor efforts to harmonise their aid and align it with government strategies and procedures.

Partnership GBS emerged in the late 1990s to support national poverty reduction strategies. By channelling funds through national systems, it also aims to strengthen national planning and implementation capacity, increasing the effectiveness of all public expenditure, including aid.

Table 1: Partnership General Budget Support and Total Aid in Uganda

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total ODA (actual) (USDm)	798	881	743	839	909	696	901	897	815	1,077	1,335
Total Partnership GBS disbursements (USDm)					66	39	176	311	369	405	409
PGBS as % total ODA (%)					7%	6%	20%	35%	45%	38%	31%
ODA as % GNI (%)	19%	15%	11%	13%	10%	10%	14%	14%	12%	16%	17%

line fell from 56% to 34% of the population in the 1990s, but increased to 38% in 2003. The main contribution of PGBS to poverty reduction has been through the expansion of basic services, although their quality is poor. Its effects on income poverty have been much weaker, via support to macroeconomic stability which fosters growth.

What were the drawbacks and limitations?

Uganda's strategy of expanding basic public services paid too little attention to income generation and to the quality and pro-poor targeting of public services. The pace of expansion put the capacity and accountability of local governments under enormous stress. However, the policy review and dialogue associated with PGBS enables such issues to be confronted, and

How did Uganda compare with other countries studied?

PGBS was more strongly led by the government in Uganda than in the other six countries studied, and PGBS was provided in larger volumes over a longer period. The influence of budget support on decentralisation was also exceptional. Unusually favourable factors in Uganda were the strength of the Ministry of Finance, Planning and Economic Development and its results-oriented budget system, a political commitment to poverty reduction and decentralisation, and the close relationship that developed between government and donors. Discord over governance issues weakened the relationship towards the end of the period.

weaknesses are beginning to be rectified.

Public finance management has been a natural focus for PGBS-linked capacity development, but support has been weakly coordinated. There has not been enough attention to local government capacity.

The quality of dialogue and appropriateness of conditions were undermined by shortcomings in donor capacity.

The scale of PGBS was crucial in its success. The persistence of parallel projects on a large scale undermines the benefits of PGBS.

The influence of PGBS on accountability has been mixed. Accountability was strengthened through sector review processes and greater involvement of parliament in the budget process, but donors often dominated the dialogue at the expense of domestic stakeholders. Corruption is a serious problem and corrodes donor support for PGBS, but PGBS is not necessarily more vulnerable to corruption than other forms of aid. Strengthening transparency and basic systems of public finance management has been more successful than high-profile anti-corruption legislation. On governance, there has been a growing gap between government performance and donor expectations. Many aspects of governance, including human rights, are addressed in the PEAPs, but political ownership of the PEAPs has been diminishing. The potential for political crises to undermine the partnership seems to be increasing.

What was the evaluation's overall assessment?

The overall assessment is positive. PGBS, as a partnership, is qualitatively different from earlier approaches. It has been an effective means of supporting the national poverty reduction strategy.

Positive effects of PGBS were seen in:

- Enabling rapid expansion in the delivery of basic services to the poor through decentralised bodies.
- Improved allocative and operational efficiency, including reduced transaction costs of utilising aid.
- Important systemic effects on capacity, particularly in strengthening the planning and budgeting system by making discretionary funds available.
- Strengthened harmonisation and alignment of aid. The Poverty Action Fund was a very useful device in demonstrating the purpose and uses of aid without the inefficiencies of rigid earmarking.
- The focus on government systems has helped to strengthen transparency and raise some fiduciary standards, although fiduciary risks remain high.

It is highly implausible that the same level and effectiveness of expenditures could have been achieved through other aid modalities alone.

Main Recommendations

- Maintain the role of PGBS, with safeguards against destabilising shifts in levels of support.
- Government and donors should develop a more sophisticated aid management policy, with attention to the balance between different aid instruments in each sector.
- Strengthen accountability to domestic stakeholders and pursue a long term strategy against corruption.
- Strengthen both donor and government capacities to manage budget support.

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The full report (and a longer summary) can be obtained from the OECD DAC website at: www.oecd.org/dac/evaluation or from the DFID website at www.dfid.gov.uk/aboutdfid/performance/evaluation-news.asp