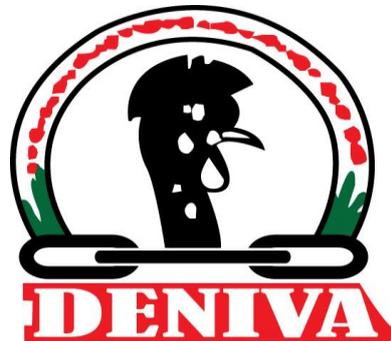


Impact of Donor Aid Cuts on the Implementation of the PRDP



Impact of Donor Aid Cuts on the Implementation of the Peace Recovery and Development Plan (PRDP) 2012/2013.

Executive Summary

In November 2012, a cross section of donors decided to suspend their support for the implementation of the Peace Recovery and Development Plan (PRDP 1). This suspension followed the discovery that officials in the Office of the Prime Minister (OPM) had embezzled approximately **US\$ 15 million** specifically earmarked for the PRDP.

PRDP 1 was a **US\$ 600 million** three-year government program designed to rebuild northern Uganda after the brutal 23-year conflict. The goal of the PRDP was to bring poverty levels in northern Uganda at par with the rest of the country through rapid improvements in the delivery of key social services.

The Government of Uganda (GoU) provided 30% of the funds required for the PRDP, and the donors provided the rest. The World Bank, European Union, Austria, Belgium, Norway, Denmark, Germany, Ireland, Sweden and the United Kingdom were among the main PRDP donors.

This study was commissioned by DENIVA to assess the impact of the suspension of the donor funds on the implementation of the PRDP. It was focused on the districts of Adjumani, Kumi, Lira Nakapripit and Nwoya each of which represents one of the five regions covered under the PRDP.

The total GoU contribution amounted to Shs. 360 billion broken down in tranches of Shs. 120 billion in each of the three years of the PRDP implementation. Of this total, 26.4 billion was annually retained at the center and Shs. 93.6 billion was transferred to the districts as development expenditure for the PRDP priority sectors.

Following the suspension of donor support to the PRDP, the GoU withheld the disbursement of PRDP funds to the districts in the last quarter of the 2012/13 Financial Year. At the time, over 60% of the PRDP development expenditure had

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already been disbursed to the districts. Most of these funds had already been committed by the districts towards the completion of key infrastructure including health units, classrooms, roads and housing units for teachers and health workers. This decision to withhold the rest of the funds that should have been disbursed left the districts with no funds and brought the implementation of the whole programme to a complete stop.

Numerous infrastructure works were left half complete and the second season rains destroyed some of them. In some places areas became unreachable as half completed works rendered roads to some key parts of the districts, especially markets, impassable.

Activities in health, education, water and roads that had been identified as the PRDP priority sectors and were the most affected. The suspension meant that the expectation of bringing rapid improvements to these sectors as part of the post conflict recovery effort could not be achieved.

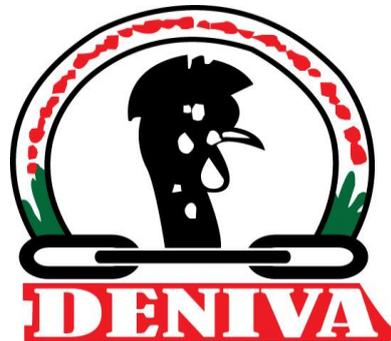
Overview of the Peace Recovery and Development Plan (PRDP 1)

The PRDP was a three-year government program to rebuild northern Uganda after a brutal 23-year conflict. The program began implementation in 2008 and its overarching goal was to deliver post conflict recovery by bringing poverty levels in northern Uganda at par with the rest of the country.

The northern districts were found to be seriously lagging behind the rest of the country in terms of access and functionality of key social infrastructure. As a result, health, water, education and roads were identified as the key priority sectors and took up 80% of the PRDP funds.

The total budget of PRDP 1 over three years was US \$ 600 million and the GoU committed to provide 30% budget. For each of the three years of its implementation, the GoU committed to allocated Shs. 97 Billion. The rest of the funding was to be sourced from donor contributions.

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PRDP Funding mechanisms: The GoU offered four channels through which development partners could fund the PRDP.

PRDP Direct Budget Support was the most preferred option by the GoU. Under this mechanism, donors disbursed funds directly into the Consolidated Fund and the GoU was supposed to directly transfer these funds to the districts against agreed annual work plans and targets.

PRDP Project Support/ Basket Fund was the second funding mechanism. This was provided for especially large, time-bound capital investments, such as trunk roads and energy. Project support was also used to fund programmes like the Northern Uganda Social Action Fund (NUSAF II) and included a requirement that the beneficiaries be involved in the planning, implementation and accountability processes.

PRDP Off-budget funding was the main mechanism for the provision of short-term humanitarian assistance. This was mostly used to support the return of IDP from the camps to their homes.

Bilateral Memoranda of Understanding (MoU) with PRDP districts provided the donors the option of directly working with the districts through MoUs. This was the least preferred GoU option. GoU noted that this method would overburden the already stretched local governments. Secondly, they noted that there was a need to carefully ensure that the districts could sensibly absorb all the incoming resources.

Almost 90% of the funds that were lost in the OPM corruption scandal had been provided under the **PRDP Direct Budget Support** modality.

Suspension of PRDP funding

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In June of 2012, the local media broke a story about the mismanagement of funds in the Office of the Prime Minister (OPM). The Auditor General (OGA) and various stakeholders and development partners instituted a special investigation. According to the report, approximately US\$ 15 million provided by donors for the PRDP had been lost in this scam. This revelation led the contributing donors to suspend all their funding and demanded that the government refunds all monies stolen by officials at OPM.

Reaction and effects of the aid freeze:

The GoU reacted to the donor decision by suspending the disbursement of PRDP development expenditure to the districts. For FY 2011/12 Shs. 93.8 billion had allocated and following aid cut, GoU withheld the payment of approximately 30% of the annual PRPD budget.

Development expenditure accounted for 80% of the funds for the rehabilitation and maintenance of key infrastructure in the priority sectors namely health, education, water and works. The GoU decision to suspend disbursement of PRDP development expenditure instantly worsened an already bad human development situation across the PRDP districts.

At the time of the aid cut, the implementation of PRDP was already taking place at a slow pace. The suspension of aid was therefore going to slow down the post conflict recovery effort and possibly resurrect some of the factors that had caused the conflict.

Impact on the districts

Overview: Health, education, water and works were the four PRDP 1 priority sectors. As such 80% of the budget was earmarked for development expenditure and was transferred to the districts for activities in the priority sectors. As shown in the table below, for the five districts under focus this cut amounted to UGX 2.7 billion which is approximately 30.2% of the total amount budgeted for the implementation of various PRDP projects.

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DISTRICT	PRDP BUDGET	FUNDS RECEIVED	FUNDS WITHELD
ADJUMANI	UGX 3,550,269,000	UGX 2,336,388,605	UGX 1,099,299,395
KUMI	UGX 905,057,760	UGX 646,556,000	UGX 258,665,760
LIRA	UGX 1,888,676,000	UGX 1,322,723,000	UGX 565,953,000
NAKAPIRIPIT	UGX 1,754,263,800	UGX 1,217,069,422	UGX 537,194,378
NWOYA	UGX 866,171,000	UGX 614,988,000	UGX 251,183,000
TOTAL	UGX 8,964,437,560	UGX 6,137,725,027	UGX 2,712,295,533

District Profiles: From the sampled district the sectors with the greatest gaps were Water in Kumi district, Roads in Nakapiripiti and Adjumani, Health in Nwoya and Lira. Below are the specific projects that were not completed as a result of the suspension of donor aid.

Adjumani district

Works/Roads Sector: This was the top priority sector for Adjumani district. Road rehabilitation works were targeted to improve both the economic and administrative penetration into key areas of the district.

The key rehabilitation projects were **Kolidid- Zoka road** (10.5kms) and **Mungula road** (5kms) in Itirikwa; **Ajujo-Agujabe** (5kms) road in Pachara and **Okawara-Aliwara** (19.5kms) road in Pakele.

One of the key considerations for these road rehabilitation projects was to improve the links especially to the Zoka area, which is where most of the food that feeds the district is grown. Similarly, the Okawara-Aliwara road is of huge economic importance to the district given that it is a key link for traders to one of the biggest boarder markets in the region. The Ajujo-Ogujebe road serves as a key link to and across the Nile River.

Education Sector: Under the Education Sector, 9 projects could not be completed in the FY212/2013 and were consequently rolled-over into FY 2013/2014. The rehabilitation of 2 classroom blocks at **Pakele Girls Primary School** in Pakele Sub

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County and 4 at **Mungula Primary School** in Itirikwa Sub County all came to a standstill.

Like most districts, Adjumani struggles to attract and retain teachers. Most teachers are said to live long distances from the schools where they teach. Housing them close to the school facilities is known to reduce the rate of teacher absenteeism. The construction of staff houses at Mungula Primary School in Dzaipi stalled. The construction of 18 latrine stances in various schools stalled. Latrines perform a key role in improving sanitation but importantly, schools with poor or no sanitation facilities most often suffer a very high girl-child dropout rate.

Contractors who managed to complete their projects are yet to be paid. Many of them noted that they are shouldering crippling interests on bank loans taken to complete the district works. There was a risk that the district could be sued for breach of contract.

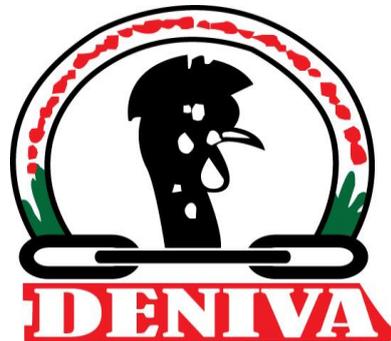
Health Sector: A total of 11 projects were planned to be implemented in the financial year. The most urgent of these projects was the construction of 9 staff houses and the renovation of Adjumani hospital. A significant amount of resources was allocated to improve the functionality of Adjumani Hospital. This included the construction of a storage facility for the medicines and the rehabilitation of 7 houses for health workers including the District Health Officer. This and the construction of a further 2 houses for health workers at Birra Health Center III in Pakele stalled.

Kumi District:

In FY 2012/2013 Kumi requested USHs 905, 057,760 for the implementation of various projects under the PRDP. Like in all the other PRDP districts, the Kumi budget was slashed following the donor aid cut and at the end of the financial year, the district had received a total of USHs 646,556,000, which represents 71.4% of its budget. The following are the projects that stalled as a result of the budget cut.

Health Sector: Among the key factors affecting the health sector in Kumi, the lack of key infrastructure including a theatre, a maternity ward, drug storage facility, and housing for health workers ranked highly. As a result, the PRDP funds were allocated to address these key constraints.

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Kumi Health Centre IV: Major works had been planned for the HC IV given that it performs a referral function for most of the district. These works included the construction of an operating theatre, pit latrines and a fence around the medical facility. The theatre was the top priority project in the sector as was fencing the health facility after a clinical officer and a nurse were stabbed to death by an intruder. All these works stalled following the aid cut. Construction of medical stores in to improve onward drug supply to health facilities in the districts failed to take off.

Nyero Health Centre III: The Health Centre had been prioritized for a major revamp including the construction of a maternity ward, pit latrines and the completion of two houses for medical staff. The construction of the staff houses begun but the process stopped and the units are yet to be completed. The construction of the maternity ward and the pit latrines didn't take off. Only 4 of the 12 nurses at the health centre stay nearby and all the rest have to commute from fairly long distances.

Education Sector: The key issues affecting the education sector include the lack of school infrastructure, pupils having to commute long distances to schools and teacher absenteeism. A combination of these conditions was among the key factors leading to a very poor school performance and a high dropout rate. It is for this reason that houses for teachers and rehabilitation of schools were prioritized. A slab for Alukat primary school located in Mukongoro Sub County in Akadot Parish was constructed but works came to stand still following the aid cuts. Teachers have to travel to the school from very long distances and this had led to a high rate of teacher absenteeism. The situation was especially serious at Akoltorom and Kacherede Primary Schools. The construction of staff houses in these schools was seen as a high priority to help bring teachers closer to the schools and ensure that they are always present at post.

Roads Sector: the district had prioritized a number of rural and urban roads to improve access to all parts of the district but to also help connect people to markets. All these road projects; Kongopo - Kamacha road in Aturtur Sub County, Odiit (0.4 km) and Wiggins (0.4 km) were opened and graded but the graveling and completion of the drainage tranches could not be completed. These incomplete roads were consequently severely damaged by rains.

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Lira District

In FY 2012/2013 Lira requested USHs 2,905, 656,000 for the implementation of various projects under the PRDP and at the end of the financial year, the district had received a total of USHs 2,197, 067, 300, which represents 75.6% of its budget. Below are the projects that stalled as a result of the donor aid cut¹.

Education Sector: The construction of classroom blocks and teachers houses in various primary schools were the top priority projects for the education sector.

Classroom blocks: Works on the blocks at Otara and Akor primary schools stalled at ring beam and wall level respectively. The incomplete works left the buildings venerable to the weather.

Teacher's houses: Similarly the construction of teacher's houses in Akano, Ngetta, Barlela Agro, Amucha and Aler Primary schools all came to a standstill.

Health Sector: The key health sector projects included the construction of houses for health workers, maternity wards and the renovation outpatient department units.

A total of 7 houses for health workers were contracted out to various local contractors. These include one each at the Health Centre II facilities in Apuce, Ogur, Agali and Ongica, two at Aballa Health Centre II and one at Amach Health Centre IV.

Maternity Wards: Construction works for maternity wards were commissioned at Abala Health Centre II and Angangatiri Health Centre III. The major structural work at the facility in Abala was almost complete but the district run out of funds for the finishing touches. The facility at Angangatiri on the other hand stalled at ring beam level and was left exposed to the weather elements.

Out Patient Department (OPD): the renovation at the Aromo HC III OPD unit stalled, as did the fencing around Ogur Health Centre IV.

¹Projects and narratives derived from reports provided by district Planner and PRDP focal point.

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Nakapiriprit District

In FY 2012/2013 Nakapiriprit district requested USHs 1,754,263,800 for the implementation of various projects under the PRDP. Nakapiriprit received a total of USHs. 520,236, 454 of its budget. Below are the projects that stalled as a result of the donor aid cut

Road Sector: Clearly roads were the top priority in the district as the bad state of the roads limits access markets as well as the reach of processes aimed at improving access to key social services. The rehabilitation of Namalu-Loreng road stalled. 8kms were graded and 4 km gravelled but the works were incomplete. There was a very high likelihood that the works carried out would be destroyed by the heavy rains that the area experiences.

25Km of the 34Km Namalu - Lorengedwat road was cleared but the works came to halt before grading and gravelling of the road was done. The rehabilitation of the Amudat-Lemusui road, including the construction of 3 bridges, grading and graveling 15 km at Katabok Parish almost ground to a halt due to a combination of the lack of funds and the onset of the rains.

Education sector: Unlike the rest of the country, the provision of education in the Karamoja is being adapted to the peculiarities of the region. This process is being taken forward through the construction of model primary schools. Due the lack of funds the model school projects at Tokora, Lorengedwat and Nakapiriprit Town Council Primary Schools failed to take off.

Primary schools: Upgrading of Namorotot and Nawet Primary Schools that were operating only up to P5 stalled.

Teacher's houses: Construction of one teachers' house at Lobulepeded Primary School was affected by the cut. Similarly, the construction of a 2-stance pit latrine at Lomorunyagae Primary School was incomplete.

Health sector: Rehabilitation of Moruita HCII Outpatient Department slowed down, as did the construction of the twin staff house at Natirae HCII.

A maternity ward was constructed at Nakapiriprit Health Centre III in Town Council, but while the structure was completed, it was yet to be fitted with sockets, bathrooms and doors. Similarly, the rehabilitation of Lemusui HCIII Maternity ward stalled

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because of the budget cuts. The provision of maternity services is quite low in the district. As a result, many expectant mothers continue to give birth at homes with the help of traditional birth attendants.

Nwoya District

In FY 2012/2013 Nwoya requested USHs 886, 171, and like in all the other PRDP districts, the Nwoya budget was slashed following the donor aid cut. At the end of the financial year, the district had received a total of USHs 614,988,000. Health was the top district priority followed by education.

Health Sector: The key sector projects were the construction of an Out Patient Department (OPD) facility at Para Health Center II and the installation of a solar system at Anaka hospital. The activities stalled following the aid cut and were rolled over to the next financial year.

Out Patient Department (OPD): The OPD construction accounted for over 50% of the health budget and entailed the relocation of the facility from Para to Purongo. The main reason for this was the distance of the OPD from most of the district population and the need to locate it outside the national park. This structure was at completion but the lack of funds stalled the installation of key fittings and construction of sanitation facilities.

Setting up of a solar lighting system at Anaka which is the main referral hospital serving both Nwoya and Amuru district stalled. Lighting was identified as key for the provision of a 24-hour health service and to help run the cold chain, which is a very important resource in a referral facility.

Education Sector: The key district education infrastructure needs included classroom structures, latrine stances and staff houses. District officials attribute the poor performance at national level examinations to inadequate management of pupils. For the last three years, only 10 pupils out of more than 1,200 candidates have passed their exams at Grade I. The district attributed this to the fact that teachers don't spend adequate time at school since they all have to trek long distances from their homes to schools. It is for this reason that in FY 2012/13 the top

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priority was 6 housing units for Purongo and Kamaguru Primary Schools because most of the teachers stay at least 1 km from the school. The aid cut brought the construction of these key facilities as well as the construction of two latrine units to a standstill.

Conclusions

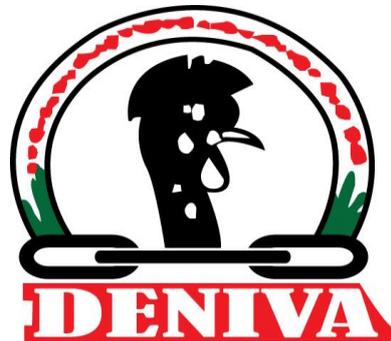
Slow pace of implementation: Before the aid cut, the implementation of the PRDP across all the districts was already taking place at a very slow pace. The aid cuts there for made what was already a bad situation worse.

Late disbursements of funds: In all districts sampled, the late disbursement of funds from the centre was a big issue. From discussions, it was almost generally claimed that funds often reach district accounts late. Fourth quarter (Q4) disbursements were said to be routinely late even when it was very clear that the districts would not be able to spend these resources within the available time frame. The claim that late Q4 disbursement to the districts happen repeatedly with significant certainty, almost forces one to ask whether the delays are deliberate.

Complex procurement processes: All officials in the five districts covered “complained” that the procurement process is protracted and complicated. As a result, many procurement plans are completed late in the financial year. Districts can only receive, commit and spend funds after they have an approved procurement plan. Late plans lead to late disbursements and consequently incomplete activities. This too was a glaringly repeated occurrence. Given the negative impact on service delivery, one would have expected this matter to be urgently addressed at both district and the central government level. It wasn’t clear what was being done in this regard.

Return of funds to the treasury: The cumulative effect of the factors noted above is that huge amounts of money sent to the districts are unspent at the end of the financial year. Policy requires that the districts return all such unspent resources to the treasury at the end of each financial year. This has almost become routine. It was very difficult to determine the amount of funds that have been returned but using the

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implementation rate as a proxy, it is safe to conclude that approximately 40% of total PRDP resources were returned to the treasury.

What happens to returned funds: The PRDP is a special programme and the funds for its implementation are earmarked. Returned PRDP funds get swallowed in the GoU Consolidated Fund and in essence the districts are “penalized” for not spending all the money sent to them. As already noted the inability to spend is due to a combination of factors many of which are beyond the districts. More importantly, it is the beneficiaries for who the services are being implemented that are affected the most.

Rolling over activities to the next financial year: Districts routinely claim to roll – over uncompleted project activity to the subsequent financial year. However, officials noted that annual budgets are never adjusted to accommodate the cost of rolled over activity. It would have been safe to assume that returned funds would provide a pool of money to finance completion of rolled over activities. This however isn’t happening. The claim that unfinished projects are rolled over is increasingly become a myth.

Inability to claim back returned funds: District officials noted that they have on numerous occasions tried to request that the Treasury to allow them keep unspent funds- especially those that are already committed to on-going activity. Officials claimed that the Auditor General “does not listen to them” and instead is often “quick at blaming the districts for having low capacity to absorb the funds disbursed from the treasury.

Incomplete accountability loop: It was very clear that the beneficiaries are unable to influence the PRDP implementation. Districts are often more keen on providing book accountability because this seems to be what central government demands the most. Following the suspension of aid, donors demanded that the amounts lost be refunded and this was promptly done by the ministry of finance. The demands of the beneficiaries have never really been heard and if they were then were never taken seriously

PRDP 2 is now underway along implementation modalities used for PRDP 1. If the above key issues are not addressed, it is very likely that the implementation of PRDP

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It will encounter the same challenges and consequently the same fate that befell PRDP I.