

# **AID ACCOUNTABILITY; THE ROLE OF LOCAL AUTHORITIES IN IMPROVING AID EFFECTIVENESS**

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## **1.0 Introduction:**

Foreign aid has been an important element in development and poverty reduction theories and practices of poor countries. Aid flow to poor countries has been increasing, Riddell (2007) puts the figure to £100bn (Riddell 2007), as much as 30% being provided by NGOs and 10% as emergency aid. Riddell noted that aid has been expanding the recent years and several donor countries have pledged to double their aid to achieve the MDGs and the target of 0.7 percent of GNI for ODA. Aid has been partly driven by the thinking that poor countries can not get out of poverty trap or even achieve the millennium development goals unless aid continues to follow in big amounts to these countries. Aid has been conceived to enable poor countries achieve sustained economic growth, good governance, and poverty reduction. Aid was originally been given on a blanket 'altruism' basis but now days on "selective" basis to countries considered to have good governance or willing to reform. Literature reveals that aid has been given for several reasons; helping provide welfare assistance, emergency aid, development aid and anti-terrorism aid (Fowler 2005, Riddell 2007). Indeed some scholars argue that aid is bad and other say it is one good thing.

Scholars have be critical of ills of aid (Easterly 2006, Dambisa Moyo, 2009 ) bringing out the evidence that aid has been ineffective i.e. not being able to effectively handle poverty which legitimises its existence in the first place (Matlin and Satterthwaite 2007, Doucouliagos and Paldam 2009). As such donor agencies do not work directly with the poor or groups of the poor but they work with government and other structures where aid is eventually swallowed by corrupt and inefficient practices before it reaches the poor. Easterly (2005) maintains that 'limitless development assistance to African governments, has fostered dependency, encouraged corruption and ultimately perpetuated poor

governance and poverty'. Even WB&IMF say 'there is no correlation between aid and growth in Africa and aid has harmed development by supporting governments whose policies have actually impoverished people and yet there is 'no evidence that aid works better in better policy or geographical environments' (Vásquez, 2005). Hanlon 1991, 1997 and Amutabi 2006, argue that aid has been used as a tool of exploitation by the west. They claim that aid is used by donors to set parallel structures to weakness the state so as to control it and also to employ expatriates to exploit resources in poor countries. Other scholars denounce aid as being unable to bring development or even eradicate poverty in the south, it instead supports exploitative government, and does not ensure wealth creation and its results are short term (Vasquez 2005, Mwenda 2007). In fact aid is not as important as its supporters argue. Dambisa Moyo, (2009) maintained that aid has harmed Africa and its remains a white man's burden (Easterly 2006) with elusive promises. What is important are the foreign policies, migration and trade policies rather than aid.

On the hand some scholars exposes instances where aid can work bringing out the idea that there is still hope in aid i.e. aid can also be cost effective. Easterly (2006) highlights examples of donor interventions in Kenya and India that have worked including; the provision of deworming drugs, dietary supplements, education and treating sexually transmitted diseases, indoor spraying against malaria, and provision of fertilizer subsidies, vaccination and urban water provision. Easterly attributed success of such project to the ability of the donors to understand the local settings and adjusting project meet needs of the people. Matlin and Satterthwaite (2007) using an example of the International Urban Poor Fund (IUPF) support directly to grassroots initiatives by a transnational network of slum/shack/homeless people's federations and their support NGOs to show that the small grants given to groups/members of these federations has enabled them to secure land for housing and getting basic services in 17 nations. They argue that aid can work in instances where there is local ownership of development assistance. Aid effectiveness has been recognized by the Official Development Assistance agencies (ODA) multilateral development banks and bilateral agencies as a

crucial element in ensuring that international financing obtains its objectives and reaches the poorest categories in the world.

The aid industry has been under pressure to demonstrate results and be an effective force for the good its providers claim it is. Aid effectiveness is the concern of every actor in the aid chain. The need for aid effectiveness has seen development of Marshall Plans to which Easterly (2006) argues that they do not work. Matlin and Satterthwaite (2007) notes that the recognition that ‘far too many people were remaining poor and that the number of people facing poverty was growing has made donor agencies get committed to the Millennium Development Goals in 2000 and to the Paris Declaration in 2005 and also the earlier commitments such as those to “meet basic needs” made in the mid-1970s,) those to ensure universal access to water and sanitation made in 1976–77 and those to support “human development” made in the early 1990s. Matlin and Satterthwaite (2007:483) insists that these international commitments and related funding may not change poor people’s situation unless donors are ‘willing to relinquish more decision-making powers and more financial control to local organizations formed by and accountable to the urban poor’. This is because donor agencies are bureaucratic, they work through government and unable to support the local social processes needed to make aid effective. They argue that ODA needs a more direct relationship with the poor, including new lines of accountability and transparency. Arjan de Haan (2009:20) after analyzing the four perspectives of the debates in the aid industry i.e. 1) proponents who argue that aid money goes to international development; 2) the technocrats who argue that aid matters less than how it is given; 3) the relativists who say foreign policy, trade and migration policies matter more than aid; and the accountant who are mind about how much they know what aid achieves; maintains that the debates can be counterproductive too because it takes insufficient account of the diversity of aid motives, agencies, modalities, and problems. What is important is to focus on aid accountability for both the funder and the recipients but more especially that which is aimed at ‘creating space for Southern voices’.

## **1.1 Aid accountability**

Aid accountability has been top on the agenda by those who give, transfer, receive and even those intended to benefit. Improving accountability is one of the most important issues facing the aid industry, the NGO sector, the government that utilize grants and project funding and the individuals/groups that benefit from humanitarian assistance. The key accountability questions have been to whom do actors account, for what, when is accountability required, and how is accountability best ensured? Accountability is commonly understood as a process through which people entrusted with responsibilities are kept under check when carrying out functions assigned to them.

Traditionally aid accountability has been guided by a principle-agent model, where donors (principles) sought to influence spending behaviour of recipient governments (agents) by attaching conditions on project/ programme /policy levels to the delivery of aid. Such kind of accountability has been characterised by unequal power relationships. It reflects a power imbalance and a unilateral contractual approach to recipient countries as a precondition for the delivery of aid. Deutscher and Fyson (2008) noted that asymmetries in the aid relationship, whereby donors respond to their own constituencies rather than to citizens' needs in developing countries, have distorted the accountability of domestic institutions in recipient countries. As such recipient countries remain donor dependent with minimal chances to determine their own priorities and use their own systems to deliver that aid. The increased number of institutions who deliver aid has also made the governance of aid more uncoordinated and difficult.

However, there has unabated need to transform the aid industry to improve quality of aid and achieve greater impact. This formed the basis of commitments made by bilateral and multilateral organization and developing countries at the Paris Declaration on Aid Effectiveness at the High-Level Forum March 2, 2005. The parties agreed on mutual accountability. Mutual accountability lies at the heart of the 2005 Paris (and Accra agenda of action 2008) Declarations commitment to reforming the aid relationships. It defines who is accountable, for what and how so as to create aid effectiveness. Mutual accountability aims at creating a more balanced relationship between donors and

recipient governments by binding members together through shared values of aid effectiveness, protecting reputation, causing development and ensuring reciprocal commitments. The Paris & Accra Declarations dictates that donors and recipient governments are in the first place accountable to their domestic constituents. Donor-recipient lines of accountability are closely connected to domestic lines of accountability.

Deutscher and Fyson (2008) assessment of how far aid effectiveness has gone after the landmark commitments of Paris declaration concluded that aid continues to be ineffective both at international; and country levels. This is because challenges created by ineffective aid are so complex and transforming governance mechanisms alone i.e. technical change may not transform aid. Several factors including; lack of aid predictability i.e. only 45 percent of aid arrives on time, as scheduled by donors; poor coordination among the large numbers of donors, and fragmentation of aid in terms of donors and number of projects, combine to make aid ineffective despite the existence of mutual agreements. Mutual accountability between donors and recipients implies that development goals be shared, answerability mechanisms created, and sanctions (soft or hard) put in place should parties fail to deliver. Although donors have encouraged government to set their own agendas through PRSPs, some agreements are not implemented and mutual accountability still creates tensions because each player focuses on their own constituents. Domestic accountability is still weak. Domestic accountability of recipient countries to their own constituencies depends crucially on aid passing through country systems (for instance, budget execution mechanisms and parliamentary review processes).

The current emphasis on domestic accountability to improve aid effectiveness makes this paper relevant. The focus of this paper is on the role of local authorities in improving aid effectiveness in Uganda. The local authorities/government (LG) in Uganda serves an extension arm of central government. The local authorities are responsible determining the economic and political agendas of the localities. Local governments in Uganda to a certain extent have discretionary powers influence local economic and social development and service delivery (Local government Act 2003). The poverty reduction plans or even the MDG implementation plans which are partly financed by foreign aid,

gives prominence to the local governments. The local governments interact with foreign aid through the top down/bottom-up government planning and financing mechanisms of government. Indeed as many scholars have argued, local authorities have a critical role to play in ensuring that aid achieve its objectives especially of poverty eradication and creating development results.

## 2.0 Aid context in Uganda

The Government of Uganda receives official aid from both bilateral and multilateral agencies as grants, projects and loans (Background to budgets). This funding is received for both; 1) poverty reduction therefore focusing on particular sectors/subsectors/projects such as education, health, and integrated rural development projects; and 2) for growth/development-dealing with causes of limited economic growth such as roads and electricity. Uganda has been working hard to decrease the dependence on foreign aid. Literature indicates that the contribution of foreign aid to national budget has decreased from 50.8% in 2006-7 to 40.1% in 2007-8. However in real terms the amount of aid the Ugandan government has been receiving has increased over the years as reflected in the annual national budgets. Figure 1 below shows the increasing trend of aid in terms of budget support and project funding.

**Figure1: Gross Inflows of Foreign Aid for budget support, project support excluding loans**

1991–92 US\$509m	2000–01 US\$666m
1992–93 US\$696m	2001–02 US\$849m
1993–94 US\$508m	2002–03 US\$847m
1994–95 US\$651m	2003-04 US\$1,267bn
1995–96 US\$668m	2004-05US\$1,255bn
1996–97 US\$525m	2005-06US\$895m
1997–98 US\$842m	2006-07 US\$1,087bn
1998–99 US\$795m	2007-08 US\$1,264bn
1999–00 US\$700m	

*Source: Uganda, Ministry of Finance, Planning and Economic Development, "Background to the Budget," 1991–92 through 2008-9*

Aid is delivered to Uganda government through diverse funding mechanisms. These include but not limited to;

- Aid framework agreements-PRSPs, MDGS**-through the midterm expenditure frameworks which allocates resources according to agreed priorities which are then reflected in annual budgets
- Less targeted blocks of aid**-sector wide approaches (SWAps) –channeling aid to the entire sector e.g. health
- Budget support**-block fund-providing additional fund to boost and expand government expenditure both recurrent plan and long term capital expenditure
- Aid to a particular social**-development problem e.g. HIV/AIDs
- Capacity dimension of aid**-increasing number of experts and expatriates

In addition to official aid transfer mechanisms, Uganda has an expanding NGO sector comprised of over 7000 NGOs, including 8% international NGOs and 92% of locally registered NGOs (Wallace et al 2004). Aid flows are complex, subject to constant changes and there are many different channels through which aid is disbursed to NGOs. Funding to NGOs in Uganda ‘can go direct from donors to INGOs to local NGOs; it can go direct from donors to government in Uganda and then to local NGOs; or directly from donors to local NGOs in country’ (Ibid pp4). The funding sources for NGOs are also very diverse but some of these NGOs utilize official aid funds to implement donor led aid activities and also some contract government implemented activities. As explained by Wallace et al, most bilateral and multilateral donors to Ugandan NGOs have detailed strategies such as the DFID’s 2000-03 Uganda country strategy paper. This is similar like the aid framework agreements donors have with governments.

## **2.1 Aid to Local governments**

There are three ways through which foreign aid reaches the local governments in Uganda, these include;

- Aid through central government basket funding mechanism/ budget framework. In this case funds are controlled by Ministry of Finance Planning and Economic Development (MoFPED) and it is allocated to local governments through the LG budget framework. This funding is disbursed to local governments for recurrent

and development plan; and also as conditional grants earmarked for national priority areas such as primary education, primary health care health, and functional adult literacy. The challenge to local governments has been the limited flexibility of conditional grants.

- Also local governments' access funding directly from donor to district budgets. For instance agencies such as UNICEF work directly with Local Governments. UNICEF budgets or allocation to districts are integrated directly into LG budgets and provides guidelines on how such funds should be used.
- Other funding agency moves to local governments to provide assistance in form of physical infrastructure or service. E.g. builds up schools, trains staff, providing technical support-without necessarily local government having direct access to the funds. This form of aid is also not flexible so that even when there is a pressing need at the district, some donor funding may emphasizes different priorities.

### **3.0 Roles of Local government in improving aid effectiveness**

Local governments all over the world are seen as critical players in accelerating the achievement of the MDGs and causing local development. For example, the Yaounde Declaration of 29 October 2005 urged African Governments to “to undertake concerted and coordinated action to place decentralization and local development at the centre of governance and development policies of their countries” In modern public management, decentralization is one form of governance that is seen as the most suitable mode of governance through which poverty reduction interventions can be conceived, planned, implemented, monitored and evaluated (Kauzya, 2007). Kauzya using examples from Rwanda, Uganda and south Africa argued that the form of decentralization in these countries takes the stance of empowering local communities to engage in their own development agenda rather than mere engagement in administration. Deutscher and Fyson (2008) call for enhanced political leadership to politically engage in pursuance of aid effectiveness, they should set the agenda, clearly state their demands for increased alignment, harmonization, and accountability. They suggested that, ‘saying no to aid that fails to align with country systems could be the first step for political leaders in guiding

aid. Therefore it is un-doubtful that local governments' i.e. both political and technical actors can play an important role in improving aid effectiveness.

In Uganda the role of local authorities is inherent the existing accountability regulations and mechanisms which can be utilized to improve aid accountability and effectiveness. The government of Uganda has set forth a number of policies and regulations to improve accountability in general. These policies often dictate the direction and spells out roles and responsibilities of different actors. The Local government (financial & accounting) regulations, 2007 gives general guidelines on financial controls and administration and stipulates roles of different actors including those of ; council; executive committee, standing committee, chief executive officer, accounting officers at administrative units, head of finance, head of internal audit, heads of departments, other public officers, and the Local Government Public Accounts Committee. For instance it states that the functions of the Council will include:

- 1) to authorize public expenditure
- 2) exercise general control over public revenue of the council;
- 3) approve all annual plans and budgets for local government expenditures;
- 4) approve vote on account;
- 5) approve supplementary estimates;
- 6) Approve policies;
- 7) Consider reports produced by the Local Government Public Accounts Committee and recommend action where necessary.

And those of function of the Executive Committee include;

- 1) to exercise general supervision and control over the council's finances and Government conditional grants and ensure that these Regulations are observed;
- 2) to propose policies and projects for consideration by the council and upon approval by the council, monitor the implementation of the council's programmes and projects;
- 3) to consider and evaluate the performance of the council against the approved work plans and programmes at the end of each financial year;

- 4) to review the annual and other accounts of the council together with the audit reports;
- 5) to review the quarterly internal audit reports after being examined by the Local Government Public Accounts Committee and report to the council;
- 6) to recommend and exercise surcharge powers in accordance with regulation 122;
- 7) to authorize the writing off of losses in accordance with regulation 121;
- 8) to approve any re-allocation of the council's funds;
- 9) to approve the annual cash flow budgets;
- 10) to monitor the implementation of the council's policies and Programmes;
- 11) to review periodic performance reports prepared by the chief executive and recommend action where necessary;
- 12) to review reports produced by the Local Government Public Accounts Committee and report to the council.

***Source: Government of Uganda (2007) Statutory instruments 2007 no. 25, The Local Governments (financial and accounting) Regulations, 2007***

Also the local government can use the established planning, budgeting processes increase aid targeting. Most local governments fail to provide adequate services to the communities they serve because of poor inclusive service delivery mechanisms. In some instances there is a lip service to inclusion. In other cases local service delivery models are generally too costly and do not fully maximize resources. Social injustices still exist in local government resource allocation and service delivery processes even when the local governments are charged with planning, budgeting and implementation of services in their localities. In Uganda it is the local governments that determine/agree on local; development and investments. For instance in cases of basket funding, the central government will realize funds to the local government, together with guidelines on national priority areas, If there is funding for the health sector for instance, it will be the local government to choose to construct a hospital, where it would be allocated or to spend money on other health related issues. Through other funding modes like where funds are sent to the districts for a particular development problem e.g. malaria control/

HIV/AIDS, the Local Governments are requested to identify beneficiaries –then funds are sent to the groups accounts and local governments can enforce guidelines of proper accountability at transparency such as good communication and acceptable book keeping at that level. Therefore if local government focused on equitable distribution of resources with clear targets and results it would go a long way to improve aid effectiveness.

Local government can use the political and technical structures to enforce accountability. Among the several efforts, the government of Uganda established the Local government public accounts committee at local levels. These committees oversee the operations of local government units and delivery of services to ensure there is value for money/quality of services. This mechanism is also seen as a means to reduce corruption in service delivery. Accordingly the local government public accounts committees are supposed to examine the reports of the Auditor General, the head of internal audit and any other reports of commissions of inquiry. In addition to that government has decentralized procurement of goods and services in local governments. The technical staff at the local government unit approves service contracts. There are guidelines to be followed at every level of government. These technical teams can use this opportunity to procure quality service that satisfies citizens' needs. Other structure at local government level includes the decentralized internal audit. Audit serves the purpose of establishing the accuracy and quality of documentation of district activities, resources and its utilisation. As early stated, most local governments fail to delivery quality and equitable resources partly because of limited skills. The government of Uganda has put in place a number of projects to ensure that capacity of local governments are strengthened through professionalizing the accounting cadres and also implementing a number of financial management reforms. Some of these projects include; the financial management support projects i.e. the Economic and Financial management programme (EFMP 1&11) and the Financial Management and Accountability Programme (FINMAP). These structures and operations are one ways of strengthening domestic accountability systems.

Aid effectiveness also can be achieved by enforcing agreements around aid effectiveness between central government and donors. These agreements detail how much, by what

means and when will such amount of funds be disbursed to government coffers and when will government be required to report domestically and externally. Partly this can be achieved through timely activity and financial reporting by local governments to their own constituents and to the central governments. The mandatory quarterly financial audit reports and activity reports could focus more on achievements of results. It can also be achieved by reminding both the central government and donors of the contractual obligations. The challenge for local governments is that often they are not consulted when developing grant conditionalities but this does not stop them from enforcing those that ensure transparency and challenging those other conditionalities that seem not to work. Government has also initiated the annual local government assessment processes highlighting service delivery, fund utilisation, governance and leadership, meeting set targets and required reporting frameworks as some of the indicators for a performing district.

Another way local governments can work towards improving aid effectiveness is through effective monitoring of the implementation of policies/programmes and plans. This can be done through a number of ways including; measuring progress on agreed indicators/outputs related to district plans or central government plans through on spot check of local development /investment; conducting joint monitoring missions with donors and different government level official to improve transparency and communication on results; improving collection of statistical data showing gender disaggregated data for social groups; involvement of beneficiaries through participatory monitoring; taking corrective actions—dialoguing and negotiating with central government or donors. The monitoring can be made more effective by tracking disaggregated and individual donor activities and their impacts in the district especially if funding is disbursed for projects. Tracking the impact and influence of individual donors may also need to focus on aid flows into the local government in regard to timeliness, consistence with agreed terms and conditions. Also monitoring become effective if monitoring reports are acted upon and their recommendations are made useful.

One factor that has hampered effectiveness of aid has been the corruption by some political and technical leaders. Also there has been limited adherence to good governance principles such as equity and fairness, participation and transparency and disclosure

The use of legal frameworks that the anti-corruption courts and protection of Whistle Blowers Act would enable implementers of foreign aid funded projects to focus on results. Purposive or goal oriented collaboration between the political and civil servants in local government would go along way to improve aid effectiveness.

#### **4.0 Conclusions**

This paper shows that aid accountability is necessary if we are to increase aid effectiveness. Through the decentralized governance system, the government of Uganda has put in place a number of policies and legislatives aimed improving aid accountability within local governments. The paper also demonstrates that local Authorities roles range from deciding on usage of aid/appropriate targeting, enforcing proper aid management including reminding central government and donors of their obligations, timely-coordinated accountability to their constituents and central government and effective monitoring and controls. To increase the chances of local governments being influential in the dynamics of foreign aid, these institutions need to be 'corruption free'; and able to effectively coordinate local development actions/ development funding at local levels.

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