

Foreign aid and utilisation

By S.B. Karaliyadde

The foreign assistance to the tune of \$ 4.5 billion pledged in Tokyo will be received within the next few months from the donor agencies and the international community.

The war that cost us Rs. 49 billion a year has stopped for the last one and half years giving us much relief. It is left for those mandated to stop the war and find an acceptable solution to all communities living in Sri Lanka to go ahead with the negotiations with the LTTE. We have achieved the best atmosphere for talks with the help of the international community who are for upholding human rights and equality. They all condemn war and destruction. Under these circumstances we must make hay while the sun shines and not debate and waste time on trivial things.

The fact is that we have received aid for development and the poverty reduction programme of our country. As expected the donors also lay down their own conditions. The EU for instance may insist that whatever machinery/vehicles procured under the aid programme should be from EU countries. Similarly Britain may want its experts and consultants engaged in our development projects. The end result is that a portion of their commitments will go back to them while we finance the rupee component. This is the usual procedure when aid is given by a donor country.

We saw this happening in our multi-purpose Mahaveli river basin development project. At the time we received SKr 1651 for Kotmale in the form of grants and loans we had Swedish engineers working for us. When the UK granted us 137.30 million pounds it included as a loan 20 million pounds and the services of their engineers and scientists were made available to us. However, a massive development project planned for thirty years was completed within five years giving the benefits to the generations who were partners in the exercise. Thus our investments were profitably and productively utilized for the following projects.

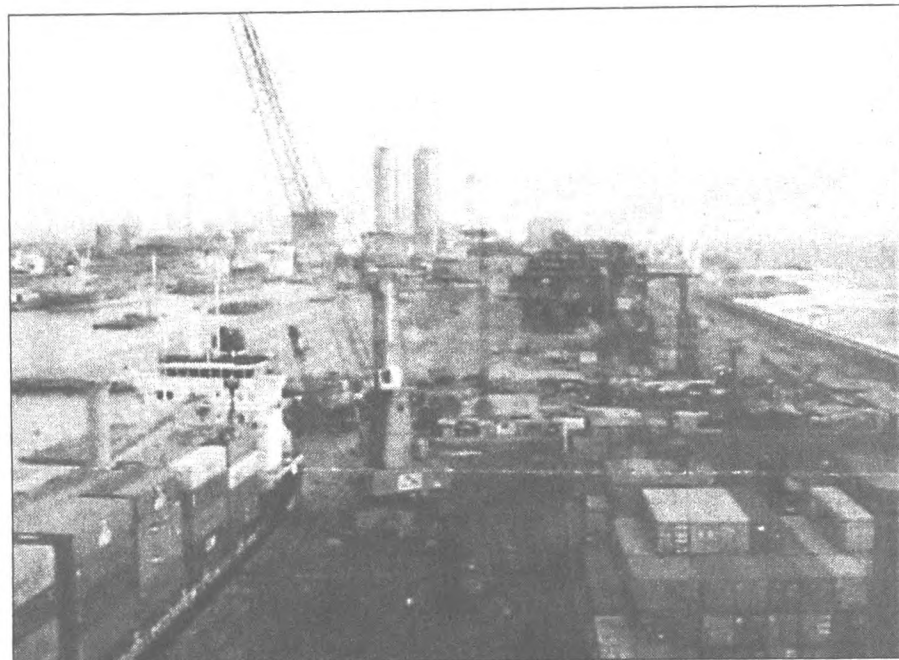
Maduru Oya:
Rs.2530M

Kotmale:
Rs.8075 M

Victoria:
Rs.6610M

Randenigala:
Rs.4590M

This was immediately after the recession of 1970-1977 where the Treasury



Colombo port's Queen Elizabeth Quay, now run by a consortium led by P&O Ports. Colombo port became South Asia's transshipment hub largely with the use of Japanese aid to develop modern container handling facilities in the 1980s - a good example of the efficient use of foreign aid. (Library picture)

placed an embargo on all our expenditure. The Katunayake International Airport, Ruhunu Campus, Lunugamwehera, Kirindi Oya development etc. would have ended in dreams if not for foreign aid.

Use of funds

According to the World Bank our disbursement rate is 11 percent of the funds which will result in a minimum time period of eight years to complete a project. If we can achieve a rate of over 20 percent, as the World Bank interprets is our ability to do so, this would result in more funds being released for development projects. The President of the Chamber of Construction Industry in Sri Lanka pointed out in a recent statement that during the period 1981 to 2002 utilization of funds ranged from 18-21 per cent. The Finance Minister hopes to increase utilization up to 45 percent by 2004.

It is a well known fact that even equipment given by various donor agencies are not utilized properly at our end. It was not long ago that the media brought to light an instance of science equipment given to the Education Ministry lying idle in the stores for years. I am personally aware of an instance where equipment given to a Technical College was still unopened in sealed boxes when the ADB review mission visited the Institute for follow-up and review years later. Such is the way some of us handle foreign funds/equipment. I think every member of the general public who is already indebted to the tune of Rs. 77,500/- and whose debt rate will increase with the flow of pledged aid should be made aware of the spending and utilization of aid by the Department/Authorities.

Ultimately it is the poor village Appuhamy, Bandas and Alice Nonas who reim-

burse these colossal borrowings. It is estimated that only less than two million of our people are paying income tax.

We have seen in recent times how public funds are squandered and no one is held responsible for such misappropriation. The much talked of Air Lanka deal, the rubber factory project in Horana, the import of bullet proof vehicles, the golf course project, etc. are some such deals where the taxpayer was kept in the dark and no one was held accountable. Also we have the recently reported misappropriation of ADB funds given for teacher education, computer education, etc. Some cases of fraud are before the courts of law. So we have enough precedents to take precautions to be transparent and accountable in doling out massive funds for various development programmes.

Aid disbursement

The normal procedures adopted hitherto in the disbursement of public funds have been questionable. The Secretary of a Ministry is the Chief Accounting Officer and answerable for public funds. However, past experiences have shown us both at Central and Provincial levels that this system, adopted as a legacy of colonial rule, has failed miserably. It is needless to mention instances where government Boards and Corporations with a very sound financial base ran up bank overdrafts to provide day to day services to the public and even to pay the salaries of employees.

Ultimately no one was held responsible and accountable. This happened under a regime that vociferously promised transparency and accountability. It was not even a fortnight ago that the media exposed an instance of a fraud running into millions from the

funds allocated to give free spectacles to poor schoolchildren. All these point to the fact that strong anti-corruption measures are needed to manage public funds.

If the existing machinery cannot fulfil these requirements some innovative measures should be adopted. A process of recurrent and concurrent evaluation should be implemented from the inauguration to the completion of a project. People's participation for overseeing the effective utilization of public funds could be obtained. When a programme for the benefit of the people is planned they could be made aware of the financial commitments, executing agency, the contractor, etc. by public notice in the Divisional Secretariat/Pradeshiya Sabha Notice Boards and such other places. This system will minimize excessive expenditure and fraud.

These methods could be augmented with the existing government audit and other anti-corruption rules and regulations. Here too the services of available resource personnel in the area such as retired accountants, audit officers, senior retired government servants etc. could be solicited. This system could be tried at the Divisional Secretaries and Pradeshiya Sabha levels on an experimental basis. Let the budget for a particular development item be published and be known to the people. Interested members of the public may have constructive comments to make. This will help to enhance the credibility of the officials concerned.

Ground level delivery

Apart from these foreign donations the government has for the first time in our history released Rs

5 million a year for each MP from the decentralized budget for district development. This type of massive financial provision was never made available before. Kandy District for instance will receive Rs. 60 million from the DCB alone to be utilized within the next twelve months. The District Development programmes along with other programmes independently undertaken by various Ministries and Departments with their own budgetary allocations will see a massive on going development process in the coming years throughout the whole country. This will awaken our rural societies and make everybody a partner in the development process. The village carpenter, mason, electrician, the semi-skilled and skilled labourers as well as the small scale businessman and supplier will embrace this development exercise.

It is therefore incumbent on the part of government officials, the representatives of the people, to get involved in these development efforts to ensure transparency, accountability and efficiency in delivering the benefits to the grass root level. The administrative delays in the release of funds to Provincial Councils by the Finance Commission should be minimized. The financial committees in the local Councils will have to minimize bureaucratic intervention to expedite action.

The Prime Minister in his new vision has brought the entire country under Regional Development Ministries. These Regional Development Ministries can play an effective role to develop the areas coming under them and each Regional Development Ministry will have its own priority.

The priority for Central Regional Development may be roads and industries. It is assumed that financial resources are available but human resources, machinery and equipment are difficult to get at the district level. In the existing procedures even if a concrete slab has to be laid for a building or a culvert/bridge across a river/stream an engineer or a technical officer should be present to supervise the work. But in actual practice even in the Executive Engineer's offices established under the Provincial Councils there is a dearth of such qualified technical personnel.

At the moment the Treasury has stopped all recruitment to the public service so that the existing vacancies cannot be filled. This will be a snag in the de-

signing of projects, preparation of estimates, tender documents, awards of tenders, etc. seriously hampering the progress at grass roots levels. The World Bank suggests the encouragement of local contractors to participate in the development process. The government has an option to get the participation of qualified retired public servants living in the targeted areas. The universities established throughout the country could be brought into this exercise. The senior staff of the Faculties of Engineering, Science and other disciplines could be co-opted to work with government bureaucrats.

Details of a scheme for such a nation building exercise should be worked out by the authorities handling these programmes. Such a programme could be a part of the training for undergraduates. Perhaps they could be paid a stipend to meet their expenses. Professionals from outside may be involved from the planning stages so that there will be transparency and accountability. The present system of doling out public funds through the DCBs and Provincial Councils is more for sentimental reasons than need-based which finally ends up with inadequate returns and few beneficiaries. There are several buildings that have been built for various reasons and abandoned after a short period. Machinery and equipment is another scarce commodity not found at the level of the Pradeshiya Sabhas.

The road rollers, earth cutting equipment, tractors, etc. which are assets in the development process are not readily available in the Pradeshiya Sabhas. How can we overcome these shortcomings in an accelerated development programme launched to reduce poverty?

The ultimate aim of all development should be poverty reduction and sustainability. Cannot a part of aid be utilized to procure machinery and equipment? It will be a wise investment in the long run. It is doubtful whether this machinery and equipment are readily available in the country for hire.

Even so the demand will be high in the present context. These are the practical situations where solutions are required. The planners, politicians, and bureaucrats will have to find practical solutions to these problems.

The rural masses are not going to be fooled by economic jargon. They want tangible results delivered during their life time.

(The writer is a former Member of Parliament)