

Managing cash in Donor-Dependent countries (The Gambia)

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Overview

- Loans and grants are the two sources of cash from creditors/donors.
- Disbursements are either paid to the project implementation units, suppliers (Direct payments) , Consolidated Revenue Fund Account or designated bank Accounts at the Central Bank.

THE ROLE OF THE MINISTRY OF FINANCE IN ENSURING EFFECTIVE DONOR DISBURSEMENTS

- Receives and scrutinizes project proposal from different sectors
- Sends project proposal to the donor/ creditor for consideration.
- Facilitates the process of the legal opinion and approval by the tax payers representation(National Assembly)
- Ensure that the pre-conditions for disbursements are agreeable and subsequently met in a timely manner.
- Request for draw downs on behalf of projects, monitor disbursements and monitor project implementation.

Constraints/challenges associated with effective donor disbursements

- The initial setting up of a project unit duly endorsed by the creditor/donor.
- The timeliness of satisfying all the creditor's conditions/the donor triggers.
- The bureaucratic process of International bidding due to the use of different procurement policies by creditors/donors and recruitment of consultants if applicable.
- The workload of Task Force Managers considering that multiple projects are handled by one Task Force Manager.
- Delays in implementing activities due to design errors change in scope, etc.
- Change in policies, directives and political influences.
- The inability of Government to take advantage of timely drawdowns usually would result to domestic Debt Financing.
- Non servicing of debts by the government.

MITIGATING FACTORS

- The establishment of a central PCU and continuously training of Project Implementation staff to manage multiple projects.
- The assignment of a reasonable number of projects to Task Force Managers for timely response to the Borrowers.
- The effective engagement of all stakeholders at all levels for the administrative and political support for proposed projects.
- Building capacities at the level of sectors for project proposal development
- Recruitment of qualified and highly experience staff to manage International bidding procurements.
- Continuous capacity building of Ministry of Finance staff to efficiently act as liaison officers for timely project disbursements.
- Timely repayments of debts.

MITIGATING FACTORS CONTINUED

- The harmonization of procurement policies e.g. co-financed projects.
- Encourage the use of online approval systems e.g..World Bank
- Strict adherence to cash plans.
- The preparation of a disbursement forecast from the CSDRMS for submission to the creditor/donor will help in proper cash planning.

The effect of the prevalence of project aid on Central Government's Cash Management?

- Project funding for pilot project are paid into a Donor funded basket account at the Central Bank and these funds are meant to implement small scale government activities even in the face of cash shortage as these funds are not co-mingled with governments funds.
- Donor funds received in the form of budget support and interventions in key sectors and paid into the Consolidated Revenue Fund thereby reducing the need to explore domestic/long term financing.
- Donor funding for large scale project are remitted directly to beneficiary projects in consultation with the Ministry of Finance and this relieves the central government of allocating cash to these sectors.



THANK YOU